DOCUMENT RESUME

ED 235 916 PS 013 932

TITLE	Child Nutrition Programs: Description, History, Issues, and Options. Committee Print. Ninety-Eighth Congress, First Session.
INSTITUTION	Congress of the U.S., Washington, D.C. Senate Committee on Agriculture, Nutrition, and Forestry.
REPORT NO	S-PRT-98-15
PUB DATE	Jan 83
NOTE	132p.; Prepared by the staff of the Committee.
PUB TYPE	Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC06 Plus Postage.
DESCRIPTORS	Children; *Cost Effectiveness; *Federal Programs; *Financial Support; *Nutrition; Program Descriptions; *Program Development; *Public Policy; Tables (Data)
IDENTIFIERS	Budget Reconciliation Act; *Legislative History

ABSTRACT

Intended for use by the Committee on Agriculture, Nutrition, and Forestry of the United States Senate, this publication (1) provides background information on the Department of Agriculture's child nutrition programs, (2) describes the legislative history of the programs and their specific components, and (3) outlines policy alternatives for consideration in the event that budget reductions in the programs occur. Programs covered include the national school lunch program; the school breakfast program; the child care food program; the summer food service program; the special milk program; the special supplemental food program for women, infants, and children; the commodity supplemental food program; the nutrition education and training program; and the state administrative expenses program. Tables indicate the anticipated level of savings resulting from the Reconciliation Acts of 1980 and 1981. Options for changes in two or more programs, as well as options for changes in individual programs, are specified. Concluding remarks briefly focus on general characteristics of the child nutrition programs that may attract future congressional attention but for which no specific legislative options have been included in this committee publication. (RH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

PS 013932 ED235916

98th Congress
1st Session

COMMITTEE PRINT

S. PRT.
98-15

CHILD NUTRITION PROGRAMS: DESCRIPTION, HISTORY, ISSUES, AND OPTIONS

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

PREPARED BY THE STAFF OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

JANUARY 1983

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE
15-642 O WASHINGTON : 1983

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

JESSE HELMS, North Carolina, *Chairman*

BOB DOLE, Kansas
RICHARD G. LUGAR, Indiana
THAD COCHRAN, Mississippi
RUDY BOSCHWITZ, Minnesota
ROGER W. JEPSEN, Iowa
PAULA HAWKINS, Florida
MARK ANDREWS, North Dakota
PETE WILSON, California
ORRIN G. HATCH, Utah

WALTER D. HUDDLESTON, Kentucky
PATRICK J. LEAHY, Vermont
EDWARD ZORINSKY, Nebraska
JOHN MELCHER, Montana
DAVID H. PRYOR, Arkansas
DAVID L. BOREN, Oklahoma
ALAN J. DIXON, Illinois
HOWELL HEFLIN, Alabama

GEORGE S. DUNLOP, *Chief of Staff*
J. ROBERT FRANKE, *General Counsel*
CARL P. ROSE, *General Counsel and Staff Director for the Minority*

(II)

FOREWORD

The programs generally classified as "child nutrition programs" within the U.S. Department of Agriculture often do not receive the same degree of attention from Senators who are sometimes preoccupied, and understandably so, with agricultural issues of importance to their States.

However, the Senate Committee on Agriculture, Nutrition, and Forestry does have jurisdiction over these programs. As such, we have the responsibility for oversight and for legislative initiatives which may be necessary.

These programs are important. They operate in every State of the Nation. The estimated cost for these programs during the current fiscal year, 1983, is $4.7 billion.

Numerous legislative changes were made in these programs during fiscal year 1982 as a result of the Omnibus Budget Reconciliation Act of 1981. While the administration made a number of recommendations for further reforms for fiscal year 1983 (which began October 1, 1982), none of those affecting child nutrition programs were adopted.

It is widely reported that the overall fiscal year 1983 and 1984 budget deficit will be between $150 and $200 billion in each year.

In light of this budgetary situation, it seems certain that further consideration will be given during 1983 to budget reductions. Indeed, numerous reports have suggested that reductions are being considered in the nutrition area by the administration, both within the largest program—the $11.6 billion food stamp program—and possibly the other programs comprising child nutrition as well.

As a contingency, I have asked the staff of the Committee on Agriculture, Nutrition, and Foresty to prepare a committee print to accomplish three objectives:

(1) To provide a basic understanding of the day-to-day operations of the programs within the Department of Agriculture known as "child nutrition programs";

(2) To provide helpful legislative history on the origin and background of these programs and specific components thereof; and

(3) To provide reasonable policy alternatives for consideration in the event that budget reductions in these programs are necessary.

I want to emphasize that I am not necessarily advocating that reductions be made in these programs. Rather, it is my belief that if such proposals are forthcoming, either from administration recommendations or other Budget Committee reconciliation instructions, this committee should be prepared to discuss whatever proposals may be made—as well as possible alternatives. I did not sup-

port all of the administration's 1981 reductions in the child nutrition area, but did seek some alternatives at that time, some of which seemed to be more favorably received than the administration's. I do not know what changes, if any, the administration is contemplating for fiscal year 1984. Nevertheless, we would be well-advised to be prepared.

I have asked the staff to draft policy alternatives following several important guidelines: To target benefits to the most needy, to provide administrative simplicity and, where possible, uniformity, and to make the most efficient use of Federal tax dollars.

It is often said that our children are our Nation's most precious resource. We must be diligent to care for them. At the same time we must not let our love for children blind us to flaws which may exist in these programs or economies which can be made without adverse impact on poor children. Federal programs, such as those in the nutrition area, should be aimed especially at caring for those unfortunate children whose parents are unable to provide for them adequately through no fault of their own.

Over the years Congress has been most generous in support of these programs. Indeed, in some cases, we may have provided a range of programs which some argue can no longer be afforded in these times of budget restraint.

I would prefer that the overall Federal fiscal picture was one that did not require economy measures. Inasmuch as we may be faced with the need for reductions, however, I believe that the members of the Committee should be well versed in options that could be considered. While not all members of the Committee may agree with all of its contents, this committee print will be informative and helpful in providing an understanding of these programs, their legislative history, as well as providing a basis for informed discussion on possible reforms.

JESSE HELMS, *Chairman.*

CONTENTS

	Page
Foreword	III
Introduction	1
Description and history of programs	3
National school lunch program	3
Federal reimbursements	4
Residential child care institutions	7
Section 4: General assistance	7
State matching requirements	8
Section 11: Special assistance	10
Mandated (or entitlement) commodity assistance	10
Bonus commodities	11
Legislative history	12
School breakfast program	24
Severe need	25
Legislative history	28
Child care food program	32
Child care centers	32
Day care homes	34
Growth in day care homes	36
Dual funding	37
Legislative history	39
Summer food service program	45
Federal and State administration of the summer food service program	50
Legislative history	50
Special milk program	54
Legislative history	55
Special supplemental food program for women, infants, and children	60
Participation and costs	67
Legislative history	69
Commodity supplemental food program	73
Eligibility	74
Benefits	74
Administrative costs	75
Participation	76
Legislative history	76
Nutrition education and training	79
State administrative expenses	80
Budget reconciliation and income tested programs	83
Multiple program options	91
Freeze or adjust indexing of reimbursement rates	92
Eliminate subsidies for paid meals and snacks	94
Eliminate subsidies for reduced-price meals and snacks	96
Eliminate both paid and reduced-price subsidies	97
Lower eligibility for reduced-price eligibility	98
Reimburse for lunches only	99
Consolidate programs through block grants	100
Block grant assistance to the territories	101
Cap Federal expenditures	101
Eliminate Federal administration of programs	102
Eliminate residential child care institutions	103
Individual program options	105
School lunch program	105

Individual program options—Continued
School lunch program—Continued
Eliminate the 2-cent differential payment rate for section 4 (general assistance) ... 105
Index the section 11 reduced-price reimbursement separately ... 106
Improve verification of income status for free and reduced-price lunches ... 106
Use historical record for commodity assistance ... 108
School breakfast program ... 109
Eliminate the severe need subsidies for free and reduced-price breakfasts ... 109
Eliminate participation by junior and senior high schools ... 110
Child care food program: Child care centers ... 110
Eliminate for-profit centers ... 110
Child care food program: Day care homes ... 111
Eliminate day care homes ... 111
Reestablish a means test ... 111
Establish a "blended rate" based on changes in participation ... 112
Child care food program: Child care centers and day care homes ... 112
Combine child care food program with other child care programs ... 112
Summer food service program ... 113
Eliminate the summer food service program ... 113
Limit participation to schools only ... 113
Adjust reimbursement levels in the summer food program ... 114
Institute a means test ... 115
Cap or freeze expenditures ... 115
Design formula to pattern school lunch participation ... 115
Special milk program ... 115
Eliminate the special milk program ... 115
Eliminate paid category ... 116
Roll back indexing of the paid reimbursement ... 116
Special supplemental food program for women, infants, and children; commodity supplemental food program ... 116
Block grant with maternal and child health ... 117
Lower income eligibility limits ... 118
Establish "reduced-price" eligibility ... 119
Lower maximum age limit for children ... 119
Limit participation to special supplemental food program or child care food program ... 119
Reduce administrative funding ... 120
Direct distribution of infant formula ... 121
Establish national nutritional risk definition ... 121
Eliminate geographical duplication between WIC and CSFP ... 122
Nutrition education and training ... 122
Eliminate NET grants ... 122
State administrative expenses ... 122
Eliminate State administrative expenses ... 122
Expenses based on free or free and reduced-price lunches only ... 123
Cap or set authorization level for State administrative expenses ... 123
General issues for consideration ... 125
Multiple program participation ... 125
Dual sources of funding ... 126
New federalism ... 127

INTRODUCTION

This committee print is provided in order to accomplish the objectives set out by Chairman Helms, as outlined in the foreword:

(1) To provide a basic understanding of the day-to-day operations of the programs within the Department of Agriculture known as "child nutrition programs";

(2) To provide helpful legislative history on the origin and background of these programs and specific components thereof; and

(3) To provide reasonable policy alternatives for consideration in the event that budget reductions in these programs are necessary.

As noted in the Chairman's foreword, the guiding principles in developing policy alternatives were to target benefits to the most needy, to provide administrative simplicity and, where possible, uniformity, and to make the most efficient use of Federal tax dollars.

Policy alternatives that are included in this report should not be construed as all inclusive. Alternatives have been gleaned from previous legislation, previous operation of the programs, and proposals which have been speculated on or reported about in the media. In those cases in which previous legislative proposals are included as current alternatives, it should be understood that their inclusion does not necessarily indicate the continued support of the original sponsor; however, where concepts have been publicly identified with a Senator, Congressman, the administration, or outside organization, they will be so identified in this committee print.

Many of the programs lend themselves to incremental reforms such as changing the Federal reimbursement rates for various programs. Obviously, savings can be achieved by reducing the reimbursement levels. The combination of reimbursement changes in this respect is almost limitless. Therefore, these have not been included. Rather, the alternatives represent programmatic reform alternatives.

Much assistance in the preparation of this committee print has been furnished by the Congressional Research Service of the Library of Congress, the Congressional Budget Office, the General Accounting Office, the Food and Nutrition Service of the Department of Agriculture, and the Office of Inspector General of the Department of Agriculture. However, the furnishing of information on various programs or policy options should not be construed as a recommendation by these organizations, unless specifically identified as such.

The Food and Nutrition Service of the U.S. Department of Agriculture is responsible for the overall administration of the nine

programs popularly referred to as child nutrition programs. These programs include the following: national school lunch program [NSLP]; school breakfast program [SBP]; child care food program [CCFP]; summer food service program [SFSP]; special milk program [SMP]; special supplemental food program for women, infants, and children [SSFP or WIC]; commodity supplemental food program; nutrition education and training program [NET]; and State administration expenses [SAE].

A description and history of each of these programs is included in the next section of this committee print. Options involving individual programs and combinations of programs are described in later sections.

DESCRIPTION AND HISTORY OF PROGRAMS

National School Lunch Program

The national school lunch program is the oldest and largest of the child nutrition programs operated by the Food and Nutrition Service [FNS] of the Department of Agriculture. It is also the only child nutrition program for which a State contribution of any kind is required.

The Federal contribution for fiscal year 1982 was $2.9 billion—including all commodities. Federal assistance is provided through several means; the largest is cash assistance to States on behalf of local schools that serve the lunch meals. A uniform level of both cash and commodities is provided for every lunch served, regardless of the family income of those served. Additional cash amounts are provided on behalf of children receiving free or reduced-price lunches.

Eligible institutions that may participate in the program are public and private nonprofit schools and public or licensed nonprofit residential child care institutions. Private schools charging average yearly tuitions of $1,500 or more may not participate in the program, nor in any other FNS programs.

Within the lunch program—and other child nutrition programs as well—there are two types of participation—schools and children. First, the institution in which a child is enrolled must be a school that participates in the program. The school lunch program is available in 95 percent of all public schools—representing 98 percent of all public schoolchildren. Twenty-nine percent of all private schools are participating in the program providing access to 41 percent of all children attending private schools. These percentages represent 81 percent of all schools—public and private—and 92 percent of all schoolchildren. (Note: These percentages are based on fiscal year 1981 data from the Food and Nutrition Service. While there has been a slight decline in the total number of participating schools and children since fiscal year 1981, the proportionate participation among schools and children appears to have been constant.)

Second, each child within a participating school is eligible to receive or purchase a school lunch or he may choose not to do so. Approximately 56 percent of all children in schools and other institutions where the program is available regularly participate in the school lunch program, as demonstrated in the accompanying table:

ENROLLMENT OF CHILDREN SERVED BY THE SCHOOL LUNCH PROGRAM—FISCAL YEAR 1982

Type of institution	Number of participating institutions	Enrollment of children within participating institutions [1]	Average lunch program participation [1]	Lunch program participation as percent of enrollment
Schools (public and private)	87,443	41,151	23.1	56.2
Residential child care institutions (public and private)	3,900	184	.1	73.0
Total	91,343	41,335	23.2	56.3

[1] Millions.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Those students who do not participate in the national school lunch program often receive lunch through bag lunches prepared at home, at off-school sites—such as homes or restaurants—or other means, such as a la carte food service provided at some schools, or they choose not to eat. In one study of public schoolchildren done in 1981, prior to changes made by the Omnibus Budget Reconciliation Act of 1981, FNS found that 61.4 percent of such children participated in the school lunch program on any given day, and 80 percent participated at some time during the week.

Participation rates vary within grade levels. According to the 1981 study of public schools cited above, 68 percent of elementary schoolchildren participated, 64 percent of junior high public schoolchildren, and 49 percent of senior high students, for an average public school participation rate of 62 percent of all children. More recent figures by grade level are unavailable; however, the total participation, including private schools and other institutions, for fiscal year 1982, as cited earlier, was 56 percent.

FEDERAL REIMBURSEMENTS

In order to receive Federal reimbursements, school meals must meet nutritional guidelines specified by the Secretary of Agriculture which are intended to ensure that such meals provide one-third of a student's daily nutritional needs. Federal reimbursements are made to States on behalf of participating schools based, at least partially, on the level of the family income of the participating students. Students fall into three categories for reimbursement purposes—free, reduced price, and paid.

Currently students eligible for a free lunch are those from families with incomes at or below 130 percent of the poverty line. This is the same as the gross income eligibility standard for the food stamp program. Indeed, beginning July 1, 1983, free category for a school lunch is automatically linked to food stamp eligibility. No charge may be made for lunches served to students participating in the free lunch category.

Reduced-price lunches may be served to students from families whose incomes fall between 130 and 185 percent of the poverty line. Such students may be required by the school to contribute as much as 40 cents per lunch of their own money.

Paying students are those from families with incomes above 185 percent of poverty. There is no Federal limit on the lunch price which may be charged to paying students.

In describing eligibility for the lunch program, and the breakfast and child care programs, income category of the student is frequently identified by the reimbursement level of the meal—that is, free reimbursement rate represents someone from a household with income at or below 130 percent of poverty. This is especially appropriate in referring to free and reduced-price eligibility. While this is predominantly true for paid lunches as well, it may not be universally so. It is conceivable that a meal served in the paid category—usually to a student with family income over 185 percent of poverty—is actually received and paid for by a student with a lower income level who for various reasons chooses not to apply for a free or reduced-price lunch, although he is eligible to do so.

All income eligibility guidelines are derived from the poverty guidelines issued by the Office of Management and Budget, and are updated annually.

The following table shows the current annual, as well as monthly, eligibility guidelines for free, 130 percent, and reduced-price lunches, 185 percent, by household size, and compared with 100 percent of OMB poverty guidelines.

INCOME ELIGIBILITY STANDARDS FOR FREE AND REDUCED-PRICE LUNCHES IN THE SCHOOL LUNCH PROGRAM, JULY 1, 1982–JUNE 30, 1983

Household size	130 percent (Free)		185 percent (Reduced price)		100 percent	
	Month	Year	Month	Year	Month	Year
1	$507	$6,080	$722	$8,660	$390	$4,680
2	674	8,090	959	11,510	518	6,220
3	841	10,090	1,197	14,360	647	7,760
4	1,008	12,090	1,434	17,210	775	9,300
5	1,174	14,090	1,671	20,050	903	10,840
6	1,341	16,090	1,908	22,900	1,032	12,380
7	1,508	18,100	2,146	25,750	1,160	13,920
8	1,675	20,100	2,383	28,600	1,288	15,460
Each additional	+167	+2,000	+238	+2,850	+128	+1,540

These income guidelines are also relevant for eligibility in other programs administered by the Food and Nutrition Service.

The current composition of the students participating in the school lunch program, according to FNS, is as follows: free, 43 percent; reduced price, 7 percent; and paid, 50 percent.

The following table shows individual State participation levels:

SCHOOL LUNCH PROGRAM

[Lunches served fiscal year 1982—in thousands]

State	Total lunches served			
	Paid	Reduced price	Free	Total
Alabama	34,004	6,744	47,335	88,083
Alaska	3,547	391	1,888	5,826
Arizona	17,660	2,703	16,107	36,470
Arkansas	21,406	3,393	21,470	46,269
California	97,574	21,848	176,792	296,214
Colorado	27,698	3,121	12,178	42,997
Connecticut	19,618	2,857	12,942	35,417
Delaware	4,243	482	3,652	8,377

SCHOOL LUNCH PROGRAM—Continued

[Lunches served fiscal year 1982—in thousands]

State	Total lunches served			
	Paid	Reduced price	Free	Total
District of Columbia	1,002	275	7,590	7,867
Florida	72,608	13,077	74,563	160,248
Georgia	73,363	8,729	59,289	141,381
Guam	1,363	304	1,371	3,041
Hawaii	14,931	2,059	6,346	23,336
Idaho	11,229	1,424	5,005	17,658
Illinois	64,919	6,853	73,852	145,624
Indiana	71,099	3,837	21,286	96,222
Iowa	46,126	3,239	11,139	60,504
Kansas	29,970	3,250	9,881	43,101
Kentucky	39,660	6,304	32,650	78,614
Louisiana	50,479	6,764	47,029	104,272
Maine	8,965	2,633	7,556	19,154
Maryland	28,311	3,367	22,090	53,768
Massachusetts	44,302	4,762	28,465	77,529
Michigan	59,044	5,975	46,890	111,909
Minnesota	52,656	5,153	15,334	73,143
Mississippi	16,971	5,949	39,848	62,768
Missouri	48,558	5,196	30,201	83,955
Montana	9,304	819	3,451	13,574
Nebraska	19,251	2,343	6,118	27,712
Nevada	6,187	526	2,638	9,351
New Hampshire	9,907	1,188	3,208	14,303
New Jersey	43,495	6,728	42,306	92,529
New Mexico	9,030	2,545	14,472	26,047
New York	85,942	15,771	137,779	239,495
North Carolina	63,531	11,273	58,946	133,550
North Dakota	10,454	1,006	2,569	14,029
Ohio	90,386	8,840	57,454	156,680
Oklahoma	33,793	4,176	18,236	56,205
Oregon	24,035	2,214	11,745	37,994
Pennsylvania	108,651	12,136	51,893	172,680
Puerto Rico	4,232	8,423	67,701	80,356
Rhode Island	2,901	772	5,323	8,996
South Carolina	31,700	5,875	37,930	75,505
South Dakota	8,279	1,268	4,327	13,874
Tennessee	46,966	5,774	40,155	92,895
Texas	126,478	19,533	121,912	267,923
Utah	23,319	3,064	6,558	32,941
Vermont	4,278	700	2,599	7,577
Virginia	55,017	6,913	34,516	96,446
Virgin Islands	397	487	2,394	3,278
Washington	28,023	3,491	17,586	49,100
West Virginia	18,203	2,991	15,153	36,347
Wisconsin	47,473	4,829	17,712	70,014
Wyoming	6,597	464	1,258	8,319
American Samoa	85	0	1,123	1,208
Northern Marianas	18	0	732	750
Trust Territory	2	4	4,320	4,326
Department of Defense	1,642	366	204	2,212
Total	1,880,682	265,214	1,624,067	3,769,963

The percentage of public schoolchildren receiving free, reduced-price, and paid meals by grade levels is shown below:

DISTRIBUTION BY PERCENTAGE OF FREE, REDUCED PRICE, AND PAID REIMBURSEMENTS WITHIN VARIOUS SCHOOL LEVELS, FISCAL YEAR 1981

[Public schools only]

	Elementary	Junior high	Senior high	Average
Free	40	36	30	37
Reduced price	8	7	5	7
Paid	52	57	64	56

Source: Food and Nutrition Service, U.S. Department of Agriculture.

RESIDENTIAL CHILD CARE INSTITUTIONS

While the school lunch program is most commonly associated with schools, as noted earlier, the program is also operational in public and private nonprofit child care institutions. These institutions include a variety of child care facilities, including orphanages, hospitals, correctional institutions, and some schools for the physically and mentally handicapped. These institutions may also participate in the school breakfast program.

In fiscal year 1982, residential child care institutions received $40 million in school lunch reimbursements, and an additional $20 million in school breakfast reimbursements.

These institutions were incorporated into the school lunch program under the 1975 amendments to the National School Lunch Act and the Child Nutrition Act of 1966. Of all residential child care institutions participating in the school lunch program, 44 percent are private while 56 percent are public institutions.

SECTION 4: GENERAL ASSISTANCE

As noted earlier, Federal assistance for school lunches takes several forms. Basic, or regular assistance—known as section 4 funding, because it is authorized under section 4 of the National School Lunch Act—is provided for all meals served that meet Federal nutrition requirements. For the 1982–83 school year, the current basic rate is 11 cents per lunch for every student served, regardless of the income level of the student's family. Section 4 assistance is provided in the form of cash payments to schools.

An additional 2 cents per lunch is added to the section 4 basic assistance reimbursement level in school food authorities in which 60 percent or more of the lunches in the second preceding year were served at free or reduced price reimbursement levels. A school food authority is an administrative unit. In the case of public schools, the school food authority is probably the school district. In the case of private schools or residential child care institutions, however, the authority may consist of just one school or institution.

This 2-cent differential payment had its origin in the Omnibus Reconciliation Act of 1980 which affected reimbursement rates for fiscal year 1981. It was a result of an exemption provided for certain school districts when a 2.5-cent reduction was otherwise legislated in the then existing reimbursement rates under section 4, special assistance. Only school food authorities where 60 percent or more of the meals served were to free or reduced-price students

were eligible for the exception. The Omnibus Budget Reconciliation Act of 1981, which effected cutbacks for all schools, reduced the differential to 2 cents. The 2-cent level was created with the stated intention of mitigating the effect of reimbursement reductions, again for schools where 60 percent or more of participating students received free or reduced-price lunches. The 2 cent higher differential funding was provided for 31 percent of all lunches served during fiscal year 1982. The higher reimbursement level is available for all lunches within the school food authority—including paid ones—as long as 60 percent or more of the meals are served to free and reduced-price students.

STATE MATCHING REQUIREMENTS

As noted, the school lunch program is the only FNS program which requires any State contribution, or State match. It is the basic cash assistance funds provided under section 4 that are required to be matched by the States.

States are now essentially required to provide matching funds equal to as much as 30 percent of the total amount of Federal funds provided for all section 4 assistance, for free, reduced price, and paid meals. The 1980–81 section 4 assistance by the Federal Government was $708 million; the match required State contributions totaling $200 million. However, States can, and some do, provide more than the minimum that is required.

The 30-percent requirement affects only those States in which the State average per capita income is equal to or exceeds the national average. If the State average is less than the national average, an applicable State percentage is reduced proportionately. Approximately 33 States and 5 territories have average per capita income lower than the national average and therefore their required contribution is less than 30 percent. Several territories match with 10 percent or less. The lowest State is Mississippi with an approximate match of 21 percent.

The following chart details the 1980 and 1981 State per capita income and the corresponding percentage match required for the appropriate school year:

U.S. DEPARTMENT OF AGRICULTURE, FOOD AND NUTRITION SERVICE—NATIONAL SCHOOL LUNCH PROGRAM

[Sec. 4 multiplication factors by State for school years 1983 and 1984]

State	1980 per capita income [1]	State revenue factors 1983 [2] (number)	1981 per capita income [3]	State revenue factors 1984 [4] (number)
Alabama	$7,488	0.2359416	$8,219	0.2350300
Alaska	12,790	.3000000	13,763	.3000000
Arizona	8,791	.2769982	9,754	.2789248
Arkansas	7,268	.2290096	8,044	.2300257
California	10,938	.3000000	11,923	.3000000
Colorado	10,025	.3000000	11,215	.3000000
Connecticut	11,720	.3000000	12,816	.3000000
Delaware	10,339	.3000000	11,095	.3000000
District of Columbia	12,039	.3000000	13,539	.3000000
Florida	8,996	.2834576	10,165	.2906777
Georgia	8,073	.2543745	8,934	.2554761
Guam	6,091	.1919231	6,711	.1919073

U.S. DEPARTMENT OF AGRICULTURE, FOOD AND NUTRITION SERVICE—NATIONAL SCHOOL LUNCH PROGRAM—Continued

[Sec. 4 multiplication factors by State for school years 1983 and 1984]

State	1980 per capita income [1]	State revenue factors 1983 [2] (number)	1981 per capita income [3]	State revenue factors 1984 [4] (number)
Hawaii	10,101	.3000000	11,036	.3000000
Idaho	8,056	.2538389	8,937	.2555619
Illinois	10,521	.3000000	11,575	.3000000
Indiana	8,936	.2815671	9,720	.2779525
Iowa	9,358	.2948640	10,474	.2995139
Kansas	9,983	.3000000	10,813	.3000000
Kentucky	7,613	.2398803	8,420	.2407779
Louisiana	8,458	.2665056	9,518	.2721762
Maine	7,925	.2497112	8,535	.2440663
Maryland	10,460	.3000000	11,477	.3000000
Massachusetts	10,125	.3000000	11,128	.3000000
Michigan	9,950	.3000000	10,790	.3000000
Minnesota	9,724	.3000000	10,768	.3000000
Mississippi	6,580	.2073312	7,408	.2118387
Missouri	8,982	.2830165	9,651	.2759794
Montana	8,536	.2689633	9,410	.2690878
Nebraska	9,365	.2950845	10,366	.2964255
Nevada	10,727	.3000000	11,576	.3000000
New Hampshire	9,131	.2877114	9,994	.2857878
New Jersey	10,924	.3000000	12,127	.3000000
New Mexico	7,841	.2470644	8,529	.2438948
New York	10,260	.3000000	11,466	.3000000
North Carolina	7,819	.2463712	8,649	.2473263
North Dakota	8,747	.2756118	10,213	.2920503
Ohio	9,462	.2981410	10,313	.2949099
Oklahoma	9,116	.2872387	10,247	.2930226
Oregon	9,317	.2935721	10,008	.2861882
Pennsylvania	9,434	.2972587	10,370	.2965399
Puerto Rico	3,462	.1090852	3,776	.1079783
Rhode Island	9,444	.2975738	10,153	.2903346
Samoa, American	1,808	.0569688	1,992	.0569631
South Carolina	7,266	.2289465	8,039	.2298828
South Dakota	7,806	.2459616	8,833	.2525879
Tennessee	7,720	.2432518	8,447	.2415499
Texas	9,545	.3000000	10,729	.3000000
Trust Territory	944	.0297448	1,040	.0297398
Utah	7,649	.2410146	8,313	.2377180
Vermont	7,827	.2466233	8,723	.2494424
Virginia	9,392	.2959353	10,349	.2959394
Virgin Islands	7,209	.2271505	7,944	.2271661
Washington	10,309	.3000000	11,277	.3000000
West Virginia	7,800	.2457725	8,377	.2395482
Wisconsin	9,348	.2945489	10,035	.2869603
Wyoming	10,898	.3000000	11,665	.3000000
Northern Mariana Islands	2,065	.0650667	2,275	.0650558

[1] Per capita income, certified by the Department of Commerce, on which the school year 1983 State revenue factors are based.
[2] This factor when multiplied by sec. 4 funds, for all lunches, used for the period July 1, 1980 through June 30, 1981, will determine the State revenue matching requirement for the period July 1, 1982 through June 30, 1983 (School year 1983).
[3] Per capita income on which the school year 1984 State revenue factors are based. The national average per capita income was $10,491 in 1981. Per capita income is for the most recent calendar year for which data are available.
[4] This factor when multiplied by sec. 4 funds, for all lunches, used for the period July 1, 1980 through June 30, 1981, will determine the State revenue matching requirement for the period July 1, 1983 through June 30, 1984 (School year 1984).

Source: Food and Nutrition Service, U.S. Department of Agriculture.

The percentage for a school year is based on per capita income information from the second preceding year.

The matching requirement was changed as a result of the Omnibus Budget Reconciliation Act of 1981. Prior to 1981, the State con-

tribution was based on the total section 4 Federal funding level from the previous school year.

The 1981 act specified that, for future years, Federal section 4 funding for the 1980–81 school year would be used as the "base" on which all future State contributions would be figured. If the match had remained tied to the Federal funds provided, the State contribution would have been proportionately reduced because the Federal funds for section 4 were reduced pursuant to the same legislation. Thus, the only variable factor for future years is what percentage of the 1980–81 section 4 Federal reimbursement will be required of each State, based on the annually updated State per capita income.

Because the Federal reimbursements for section 4 were reduced by the 1981 act, the percentage of section 4 funding contributed by the States has been effectively increased for the short term. This will remain the case until such time as section 4 Federal funding is higher than it was in the 1980–81 school year. As section 4 reimbursements are indexed annually, the Federal percentage of total section 4 expenditures will increase and correspondingly will reduce the percentage contributed by States. Prior to 1981, that percentage was 27.8 percent. The effective State matching rate during 1982 was 49 percent.

SECTION 11: SPECIAL ASSISTANCE

Section 11 of the National School Lunch Act provides additional cash reimbursement for students whose family income falls into the free or reduced-price category, that is at or below 130 or between 130 and 185 percent of poverty, respectively.

Current additional reimbursement rates for the 1982–83 school year are 104 cents for each free lunch and 64 cents for each reduced-price lunch.

Thus, the current maximum Federal cash reimbursement for school lunch assistance is 115 cents for free, 75 cents for reduced price, and 11 cents for paid lunches. These rates are 2 cents higher in school food authorities where over 60 percent of the meals are served to free and reduced-price students.

MANDATED (OR ENTITLEMENT) COMMODITY ASSISTANCE

In addition to cash, authority for commodity assistance to school lunch programs is provided under sections 6 and 14 of the National School Lunch Act, section 32 of the Act of August 24, 1935 (sometimes called the Agricultural Act of 1935), and section 416 of the Agricultural Act of 1949. Commodity assistance is provided to participating schools and institutions in the form of actual commodity items to be used for lunch meals. Under section 6 of the National School Lunch Act a specific per lunch value of commodities is required to be provided; the current commodity assistance rate is 11.5 cents per lunch. This amount is annually indexed to reflect changes in the Price Index for Food Used in Schools and Institutions. As with section 4 general assistance, commodity assistance is provided regardless of the family income of the participating child.

The commodity assistance is available for each meal served, and is provided to each State based on their estimated number of lunches that will be provided during the coming school year.

BONUS COMMODITIES

In addition to the mandated commodities, the school lunch program may also receive "bonus commodities." This commodity distribution system allows the Secretary to donate surplus or price-support commodities. Such contributions may not be assessed against the State's mandatory allocation—or entitlement commodities previously described.

The amount of commodities distributed under the bonus program varies, from year to year, as do the specific types of commodities that are provided. The following chart shows the amount of mandated commodities and bonus commodities provided during the past 10 years:

MANDATED (OR ENTITLEMENT) AND BONUS COMMODITIES DISTRIBUTED TO SCHOOL LUNCH PROGRAMS, 1981–83

[Dollars in millions]

Fiscal year	Mandated commodities		Bonus commodities	
	Value of commodities	Cents per lunch	Value of commodities	Cents per lunch
1981	$632.0	[1]15.5/13.5	$309.4	4
1982	439.2	11.0	339.5	9
1983	459.6	11.5	(2)	(2)

[1] Commodity rates were lowered effective Jan. 1, 1981 as a result of changes enacted in the Omnibus Budget Reconciliation Act of 1980.
[2] Not available. Bonus commodities to be furnished during the current fiscal year and the cents-per-lunch value are not yet known.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

In recent years, the bonus commodities have been primarily dairy products. During fiscal year 1982, for instance, it is estimated that almost all of the bonus commodities were dairy products—milk, butter, and cheese.

The commodities available under the bonus program are often used by schools to substitute for commodities which otherwise would be requested under the mandated commodity program. For instance, none of the mandated commodities were dairy products in fiscal year 1982, when 90.5 percent of bonus commodities were dairy oriented.

Distribution of bonus commodities to schools is authorized under section 416 of the Agricultural Act of 1949 which permits the Commodity Credit Corporation to prevent waste of commodity stocks acquired through its price support operations by donation to nonprofit school lunch programs and under section 32 of the Act of August 24, 1935 which authorizes the distribution of surplus commodities—which are usually imperishable products.

The bonus program is not considered part of the anticipated Federal subsidy, because frequently it is not announced or determined until midyear—or may be changed during the year. The Secretary is not permitted to use bonus commodities to take the place of mandated commodities. Nevertheless, bonus commodities often con-

15-642 O—83——2

tribute significally to the per meal subsidy—as noted in the previous table.

The value of bonus commodities varies from area to area. Some schools get more, but most receive some level of commodity assistance. During fiscal year 1982, bonus subsidies averaged 9 cents per meal.

The following table delineates the total Federal assistance provided during the current year—excluding bonus commodities:

FEDERAL ASSISTANCE PER MEAL SERVED IN THE NATIONAL SCHOOL LUNCH PROGRAM—JULY 1, 1982—JUNE 30, 1983

[In cents]

	Free	Reduced price	Paid
Section 4: (General assistance)	11	11	11
Section 11: (Special assistance)	104	64	0
Commodities	11.5	11.5	11.5
Total mandated Federal assistance	126.5	86.5	22.5

LEGISLATIVE HISTORY

The school lunch program is the oldest and the largest of the nutrition programs operated by the Food and Nutrition Service.

The earliest assistance for school lunch program operations was begun in the 1930's, primarily as a result of an agricultural policy which placed emphasis on the disposal of surplus commodities.

As early as 1932, some existing school lunch programs received Federal loans and agricultural surpluses. The Reconstruction Finance Corporation made loans to several towns in Missouri to cover the cost of the preparation and serving of school lunches. In 1933 and 1934 this work was expanded under the Civil Works Administration and the Federal Emergency Relief Administration which served in 39 States.

Beginning in 1935, new authority was established under section 32 of the Act of August 24, 1935 to provide that surplus farm commodities could be provided to school lunch programs through a direct purchase and distribution program.

From 1943 to 1946, the USDA conducted a new program under which section 32 funds were used to make cash grants to schools to enable them to purchase foods locally for the school lunch program—and school milk program. With the enactment of the 1944 Agricultural Appropriations Act (Public Law 78–129), Congress for the first time authorized a specific amount of section 32 funds for the school lunch and milk programs without regard to the existence of surpluses.

National School Lunch Act—1946

The major legislation governing the school lunch program was the adoption in 1946 of the National School Lunch Act (Public Law 79–396).

The act authorized appropriations "as may be necessary" to "* * * safeguard the health and well-being of the Nation's children

and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of foods and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school-lunch programs."

The Secretary of Agriculture was authorized to make payments to States on a matching basis and according to a need formula. Seventy-five percent of the available funds were to be apportioned to the States on the basis of the number of schoolchildren in the State and the need for assistance in the State based on the relation of the per capita income in the United States to the per capita income in the State. Three percent of the total funds were to be reserved for use in Alaska, the Territory of Hawaii, Puerto Rico, and the Virgin Islands. The Secretary was to have available $10 million to provide nonfood assistance—equipment used on school premises for the storage, preparation, or serving of food for schoolchildren—for the school lunch program. Three percent of these funds as well were to be reserved for use in Alaska, the Territory of Hawaii, Puerto Rico, and the Virgin Islands. Three and one-half percent of the total funds were to be made available for the Secretary for administrative expenses. The remaining funds were to be used for the purchase of agricultural commodities and other food to be distributed to the participating schools. States were required to match Federal funds as follows:

Fiscal years 1947 to 1950—$1 for each Federal dollar;
Fiscal years 1950 to 1955—$1.50 for each Federal dollar; and
Fiscal year 1956 and thereafter—$3 for each Federal dollar.

The program at this point consisted entirely of what is today general assistance, referred to as the section 4 program, so named because of its origination under section 4 of the National School Lunch Act.

In any State where the per capita income was less than the per capita income of the United States, the matching required would be decreased by the percentage which the State per capita income was below the per capita income of the United States. The matching requirement could be satisfied with children's meal payments, as well as the reasonable value of "donated services, supplies, facilities, and equipment as certified." However the "cost or value of land, or the acquisition, construction, or alteration of building or commodities donated by the Secretary, or of the Federal contributions" could not be used to meet the matching requirement.

The lunches served by the participating schools were required to meet the nutritional requirements prescribed by the Secretary. Three types of lunch were authorized: type A, type B, and type C. The type A lunch was developed to meet one-third to one-half of the minimum daily nutritional requirements of a child 10 to 12 years of age; certain adjustments in the meal could be made to meet the requirements of children of different ages. The type B lunch provided a supplementary lunch in those schools where adequate facilities were not available to provide the type A lunch. One-half pint of whole milk constituted the type C lunch. Maximum reimbursement for these lunches was 9 cents for a type A lunch, 6 cents for a type B lunch, and 2 cents for a type C lunch. These reimbursement rates were reduced by 2 cents for any

lunches which did not serve milk because the milk did not meet State and local standards regarding butterfat and sanitation. Any other lunch without milk was not reimbursable. Funding continued to go to the States on the basis of the need formula; these amounts merely served as maximum reimbursements which the Secretary could pay per lunch.

NOTE.—The type A lunch is the only type of meal now served under the school lunch program.

Local school authorities were directed to serve lunches without cost or at a reduced price to those children determined by school authorities as being unable to pay the full cost. The law further stated that there was to be no physical segregation or discrimination against any child who was unable to pay for his lunch. The schools were to utilize, insofar as practicable, surplus commodities in their lunch programs. The programs were to operate on a nonprofit basis, and records and accounts were to be maintained.

1949

In 1949, section 416 of the Agricultural Act of 1949 (Public Law 81-439) authorized the Secretary to provide commodities acquired through price support operations to the school lunch program. The Commodity Credit Corporation was authorized to donate commodities it had acquired, under its price support programs in order to prevent waste. The bonus commodities were in addition to those authorized under section 32 of the Agricultural Act of 1935.

1962

The first significant change in the school lunch program occurred in 1962 with the revision of the section 4 funding and the establishment—under Public Law 87-823—of new, separate funding authority, section 11, for schools drawing attendance from low-income areas. Apportionment of funds to the States was changed so that it was to be based on the participation rate for the State and the need as determined by State per capita income. Previous allocation was based on the number of children in the State—without regard to actual participation—as well as the assistance need rate.

Funds for this new program were appropriated for fiscal year 1966. Originally, section 11 was intended for schools, rather than individual students, that were deemed needy. Specifically, the law provided special assistance to schools drawing attendance from areas in which poor economic conditions exist, for the purpose of helping such schools to meet the requirement * * * of this act concerning the service of lunches to children unable to pay the full cost of such lunches. Apportionment for section 11 funding was to be based on participation in the preceding fiscal year and the assistance need rate. The selection of schools eligible for section 11 funding was determined by the State educational agency based on the following factors: (1) The economic condition of the area from which such schools draw attendance; (2) the needs of pupils in such schools for free or reduced-price lunches; (3) the percentages of free and reduced-price lunches being served in such schools to their pupils; (4) the prevailing price of lunches in such schools as compared with the average prevailing price of lunches served in the State under this act; and (5) the need of such schools for additional

assistance as reflected by the financial position of the school lunch programs in such schools.

Child Nutrition Act of 1966

The next significant legislative changes affecting the school lunch program were made in the Child Nutrition Act of 1966. Under this new act, Public Law 89-642, new funds were authorized for State administrative expenses. These were provided for State educational agencies to use in supervising and giving technical assistance to schools for the conduct of programs under this new act as well as the National School Lunch Act. Funds could also be used for the administration of additional activities under the school breakfast program, the nonfood assistance program, equipment assistance, and the general assistance program, section 11 of the National School Lunch Act.

1970

In 1970, the law was changed to require for the first time that the Secretary establish uniform national guidelines for eligibility for free and reduced-price lunches, Public Law 91-248. Eligibility determinations for the program were to be made on the basis of an affidavit by the student's family. Schools were directed to give first priority for free meals to the neediest children. In addition, the schools were mandated to announce publicly the eligibility requirements for these programs. The maximum charge for a reduced-price meal could not exceed 20 cents. The 1970 law also revised the matching requirements so that State funds had to constitute a portion of the overall matching requirement. This insured that matching funds would not be comprised solely of students' meal charge payments. Language was also added prohibiting overt identification of children receiving free or reduced-price meals. Further, the 1970 act provided an open-ended authorization for section 11 special assistance funds—the assistance created in the 1962 law—and directed that such funds be available to any school serving free and reduced-price lunches.

In developing its uniform national guidelines in response to the 1970 law, USDA essentially used the Census Bureau's existing poverty guidelines with some variations, primarily for household size. Poverty guidelines established by the Office of Management and Budget, widely used in income tested programs since the 1970's, had not yet been developed. Legislation in 1980 converted the school lunch program to the use of the OMB guidelines for fiscal year 1981 and subsequent years.

1971

Under the Nixon administration, USDA originally issued regulations establishing 100 percent of USDA poverty guidelines as a minimum standard, but States could set a higher income limit if they chose to do so. However, subsequent regulations in October 1971, established the 100-percent level as a maximum rather than a minimum, income eligibility level.

Subsequently in 1971, in Public Law 92-153, Congress expressly established the poverty guidelines as minimum eligibility standards, overturning the October 1971 regulations.

The same 1971 legislation also provided for the use of section 32 funds to continue school lunch programs until a supplemental appropriation could be passed. Also, for the first time, a per meal reimbursement figure was established. The reimbursement for section 4 (general assistance) had to average 6 cents for every lunch served within each State. This was fundamentally different from the maximum contribution rate—then set by the Secretary at 12 cents. The 12 cents maximum contribution rate set a ceiling on the amount of Federal funds that a State could receive, but did not guarantee any specific or minimum amount of reimbursement. The national average reimbursement rate, while permitting States to vary the amount they provided to individual schools, guaranteed that the States would get at least an average of 6 cents for each meal served in their State.

In addition, the new law established a guaranteed level of reimbursement for free and reduced-price lunches under section 11 special assistance. Free lunches were to be reimbursed at a rate of 40 cents or the cost of the meal, whichever was less; reduced-price meals were to be reimbursed at the lesser of either 40 cents, or the cost of the meal minus the highest price charged. The Secretary was permitted to provide a higher reimbursement for especially needy schools.

1972

In 1972, the school lunch program was modified to increase the average reimbursement rate for the general assistance program, section 4, from 6 to 8 cents per lunch. States could vary the per lunch rate within the State.

The 1972 law, Public Law 92-433 also set for the first time specific statutory minimum poverty guidelines, although some deviation by States could continue. The law required that children whose family income was below 100 percent of the Secretary's poverty guidelines would be eligible for a free lunch. The States had the option to establish eligibility for the free lunch program up to 25 percent over the guidelines that is 125 percent of poverty. Eligibility for the reduced-price-lunch program—which was elective at the option of States or schools within States—was to be set by the State not to exceed 50 percent above the Secretary's guidelines, that is, 150 percent of poverty.

Disbursements to nonprofit private schools could be made directly by the Secretary in the same manner and using the same reimbursement rate as for those disbursements made by State educational agencies. This was in order to assist private schools in those States where public law or State practice precluded the educational agency from making payments to private schools.

Finally, the Secretary was prohibited from prescribing regulations which would prohibit the sale of foods sold in competition with child feeding programs if the proceeds from the sale of such competitive foods accrued to the schools or a school approved student organization. This action was effectively reversed by subsequent 1977 legislation.

1973

In 1973, Public Law 93-13 amended the law to allow States to receive in cash, during fiscal year 1973, the difference between commodities promised by USDA and those actually provided. This "cash-in-lieu of commodities" provision would trigger into effect if USDA supplied less than 90 percent of the commodities which had been promised. The level of commodities to be provided thus far had always been determined at the total discretion of the Secretary. The provision was in response to the fact that high-farm prices had made it difficult for USDA to purchase surplus and price-supported commodities for school feeding programs at the same level as was originally expected and the concern about what impact this might have on school feeding programs. Commodity assistance was valued at approximately 7 cents per lunch at that time.

Later in 1973, Congress amended this authority to make this provision for cash-in-lieu of commodities permanent (Public Law 93-150).

In the same year, Congress included a provision in the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86) to provide the Secretary of Agriculture with authority to purchase sufficient amounts of commodities for schools and other domestic food assistance programs from directly appropriated funds when surplus or price-supported commodities were not available. Prior to that time, USDA was not permitted to purchase or acquire surplus commodities for the school lunch program unless such items were in surplus or selling below price-support levels.

Also in 1973, in Public Law 93-150, Congress increased the general assistance, section 4, reimbursement rate, from 8 cents to 10 cents per lunch. The additional special assistance, section 11, reimbursement rates were set at 45 cents for free and 10 cents less than the free rate—35 cents—for reduced-price lunches.

This 1973 act was also important in that it established for the first time that the reimbursement rates mandated in the law were to be automatically indexed to inflation. The law required that the rates be adjusted semiannually, each January and July, to reflect the changes in the series for Food Away From Home for the most recent 6-month period for which such data are available.

In addition to reimbursement rate changes, the State optional eligibility cut off level for the reduced-price-lunch program was raised to 75 percent above the Secretary's poverty guidelines, that is, 175 percent of poverty for 1 year. A minimum 100 percent of poverty was still provided, but States could increase, from 150 to 175 percent of poverty, the maximum cutoff level.

1974

In 1974, the provision which permitted States to set income guidelines for reduced-price lunches, where offered, at 75 percent above the Secretary's poverty guidelines was made permanent (Public Law 93-326).

1975

Congress included in the legislation a provision requiring that, beginning in fiscal year 1975, a level of commodity assistance valued at 10 cents per lunch be provided for all school lunches. This amount was to be adjusted annually for changes in the Consumer Price Index.

Under legislation enacted in 1975 (Public Law 94-105), States were required for the first time to offer reduced-price lunches to children meeting specified income criteria. Prior to this point, the reduced-price segment of the program was operational at the option of the State, and eligibility guidelines were flexible, up to 175 percent of poverty guidelines, again at the option of the State. The 1975 law required that children with incomes under 195 percent of the Secretary's poverty guidelines be eligible for reduced-price lunches.

The 1975 act also expanded the definition of "school" to include any public or licensed nonprofit, private residential child care institution. This provision included specific references to permit orphanges and homes for the mentally retarded to participate in the national school lunch program

In addition to these changes, the new law also provided that in order to receive meal reimbursements, a type A lunch had to be offered to students, rather than served, as had previously been the case. This so-called "offer versus serve" option applied only in senior high schools.

1977

In 1977, the offered versus served option was expanded to include students in junior high and middle schools when approved by the local school district or authority (Public Law 93-166).

The 1977 law also changed special assistance—section 11—to allow that in any school in which at least 80 percent of the children are eligible for free or reduced-price lunches, special assistance payments for these lunches could be made for the following fiscal year based on the number of free and reduced-price lunches served in the previous year. Additionally, a special provision was added or schools which elected to serve all children free lunches for 3 years and which paid for the lunches for nonneedy children from sources other than Federal funds. In such circumstances, special assistance payments at free and reduced-price rates could be made to the State educational agency for that school, even though all meals had been served free, for 3 years based upon its number of children determined eligible for fee and reduced-price meals during the first fiscal year. In other words, the school did not have to demonstrate its free, reduced price and paid categories every year if it had over 80 percent free and reduced the first year.

The 1977 legislation also included a provision permitting schools to refuse to accept up to 20 percent of commodities offered and receive other commodities, if available, in their place.

1978

In 1978, Congress formally set the income eligibility criteria for free lunches at 125 percent of the poverty guidelines prescribed by the Secretary, Public Law 95-627.

In 1980, changes were made to income eligibility criteria in the program. The income eligibility criteria for free and reduced-price lunches had been updated annually each July 1. Prior to 1980, in indexing the USDA poverty guidelines, upon which income eligibility criteria for the school lunch program were based, inflation through the preceding March 1 was considered. This March update allowed for a more current reflection of inflation than was allowed under the OMB poverty guidelines, which provided adjustments based on the previous calendar year rate of increase in the Consumer Price Index—that is, January to December. The USDA poverty guidelines, used to revise income eligibility criteria each July, were essentially the OMB poverty guidelines updated through March of the year of their use. Consequently, when applied for program use each July, the USDA poverty guidelines reflected all but 3 months of inflation whereas the OMB guidelines measured inflation through the previous December, or all but 6 months of inflation.

Omnibus Reconciliation Act of 1980

The Omnibus Reconciliation Act of 1980, Public Law 96-499, eliminated this March update of the poverty guidelines for 1 year. Consequently, the income cutoff levels were lower without the March update than would have been the case with the use of the USDA poverty guidelines.

In order to offset the impact of lower income eligibility criteria because of the elimination of the March update, the 1980 Reconciliation Act provided for the use of a standard deduction in computing household income. This standard deduction took the place of the legislatively terminated special, or hardship, deductions which had been allowed by regulation for extraordinary medical, housing, and special education expenses. A standard deduction of $80 per month replaced the previous deduction schedule. The deduction was available for both free and reduced-price-income eligibility.

The overall effect of the two proposals was to reduce eligibility for free and reduced-price lunches, but not to the extent that would have been the case if no standard deduction had been provided.

The 1980 act also reduced by 2.5 cents the reimbursement rate for general assistance, section 4, for school districts serving less than 60 percent of their meals to free or reduced-price students. Indexing of the reimbursement rates—which had been done semiannually since the 1973 act—was to be skipped on January 1, 1981, with semiannual indexing to be restored on July 1, 1981.

Additionally, mandated commodity assistance was reduced by 2 cents, from 15.5 cents to a level of 13.5 cents per lunch.

The changes made by the Omnibus Reconciliation Act of 1980 marked a dramatic change in the school lunch program. For the first time in its history, the reforms were of a cost-saving nature rather than an expansionary variety. The total budget savings anticipated from the 1980 changes were estimated by the Congres-

sional Budget Office to save approximately $400 million during fiscal year 1981.

Omnibus Budget Reconciliation Act of 1981

Additional, significant changes in the school lunch program were legislated in 1981. Again, the general tenor of the reforms, included in the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, was to achieve reductions in Federal spending as a part of the new Reagan administration's economic recovery package.

Some of the reforms were included in both the Reagan administration's fiscal year 1982 budget as well as the outgoing Carter administration's budget. Two measures which had been deemed temporary when they were enacted in 1980 were made permanent. The March update of the income poverty guidelines was permanently dropped. Future updates would continue to be made annually on July 1, based on inflation in the preceding calendar year. Also the temporary elimination of the January semiannual inflation adjustment of reimbursement rates was made permanent so that reimbursement rates would be indexed annually each July 1.

Additionally reimbursement rates were reduced. The following table outlines the reimbursement rates which existed prior to the 1980 legislative changes and the changes mandated by the reconciliation bills of 1980 and 1981:

REIMBURSEMENT RATES IN THE SCHOOL BREAKFAST PROGRAM: CHANGES RESULTING FROM 1980 AND 1981 LEGISLATION

[In cents per meal]

	Pre-1980, July 1, 1980	1980 reconciliation (Public Law 96-499), Jan. 1, 1981	1981 reconciliation (Public Law 97-35)	
			July 1, 1981	July 1, 1982
Basic (sec. 4)	18.5	[1] 16.0	[1] 10.5	[1] 11.0
Special (sec. 11):				
Free	83.5	83.5	98.75	104.0
Reduced price	63.5	63.5	53.75	64.0
Cash total:				
Free	102.0	[1] 99.5	[1] 109.25	[1] 115.0
Reduced price	82.0	79.5	69.25	75.0
Paid	18.5	16.0	10.5	11.0
Commodity assistance	15.5	13.5	11.0	11.5
Total (cash and commodities):				
Free	117.5	[1] 113.0	[1] 120.25	[1] 126.5
Reduced price	97.5	93.0	80.25	86.5
Paid	34.0	29.5	21.5	22.5

[1] Except for schools with 60 percent or more free or reduced price 2.5 cents more under 1980 act, 2 cents more under 1981 act.

Income eligibility guidelines were also modified. The standard deduction which had been created by the 1980 act was eliminated. Free lunch income eligibility was set at the same level as the gross income eligibility standard required for the food stamp program. The same legislation set 130 percent of poverty as the gross income test for food stamp participation. Since the previous eligibility level was 125 percent after the standard deduction had been subtracted, the effective income level under the 1980 act typically had ranged from 128 to 142 percent of poverty.

Reduced-price lunch eligibility was lowered from 195 percent of poverty to 185 percent of poverty with a corresponding elimination of the standard deduction.

The changes made to the school lunch program were estimated by the Congressional Budget Office to achieve a savings of approximately $1.4 billion in fiscal year 1982.

In 1982, the Reagan administration, while making recommendations for changes in other child nutrition programs, did not recommend any changes in the school lunch program, and none were enacted.

The following tables, supplied by the Congressional Research Service of the Library of Congress, outline the history of the income eligibility guidelines since their establishment in 1971 and the per meal reimbursement rates since their establishment in 1972:

POVERTY GUIDELINES AND INCOME ELIGIBILITY FOR FREE AND REDUCED-PRICE LUNCHES 1971–83

	For a family of 4		
	Poverty guideline	Maximum income eligibility	
		Free	Reduced
January to June 1971	$3,720	$3,720 (100 percent) [1]	$3,720 (100 percent).
July 1971 to June 1972	3,940	$3,940 (100 percent) [1]	$3,940 (100 percent).
July 1972 to June 1973	4,110	$4,110 (100 percent),[2] State option 125 percent = $5,140.	$4,110 (100 percent),[2] State option 150 percent = $6,160.
July 1973 to June 1974	4,250	$4,250 (100 percent), State option 125 percent = $5,310.	$4,250 (100 percent),[3] State option 175 percent = $7,440.
July 1974 to June 1975	4,510	$4,510 (100 percent), State option 125 percent = $5,640.	$4,510 (100 percent),[3] State option 175 percent = $7,900.
July 1975 to June 1976	5,010	$5,010 (100 percent), State option 125 percent = $6,260.	$9,770 (195 percent),[4] begin December 1975.
July 1976 to June 1977	5,700	$5,700 (100 percent), State option 125 percent = $7,130.	$11,110 (195 percent).
July 1977 to June 1978	6,090	$6,090 (100 percent), State option 125 percent = $7,610.	$11,880 (195 percent).
July 1978 to June 1979	6,490	$6,490 (100 percent), State option 125 percent = $8,110.	$12,660 (195 percent).
July 1979 to June 1980	7,150	$8,940 (125 percent) [5]	$13,940 (195 percent).
July to December 1980 [6]	8,200	$10,250 (125 percent)	$15,990 (195 percent).
January 1981 to August 1981 [6]	7,450	$10,270 (125 percent)	$15,490 (195 percent).
September 1981 to June 1982 [7]	8,450	$10,990 (130 percent)	$15,630 (185 percent).
July 1982 to June 1983	9,300	$12,090 (130 percent)	$17,210 (185 percent).

[1] Priority for free meals determined on the basis of neediest children at discretion of the State.

[2] Beginning November, all children in families with incomes below the poverty guidelines were declared eligible for free and reduced-price meals. States could offer free meals to children from families with incomes up to 125 percent of guidelines, and reduced-price meals to children from families with incomes below 150 percent of guidelines.

[3] States could offer reduced-price meals to children from families with incomes below 175 percent of guidelines.

[4] Beginning December 1975, States required to offer reduced-price meals to children from families with incomes between 100 percent and 195 percent of guidelines, or 125 percent and 195 percent of guidelines if State chose to provide free meals to children from families with incomes below 125 percent of guidelines.

[5] States required to set 125 percent of poverty guidelines as eligibility level for free lunches.

[6] Temporary change enacted under the Omnibus Budget Reconciliation Act of 1980 (Public Law 96–499). Provided for lower poverty guidelines but allowed $960 annual standard deduction, which is added to maximum income eligibility shown.

[7] Change enacted under the Omnibus Budget Reconciliation Act of 1981 (Public Law 97–35). Permanently lowered poverty guideline, eliminated standard deduction and changed free eligibility to 130 percent, and reduced price eligibility to 185 percent, of poverty guideline.

Source: Federal Register for appropriate years.

School lunch cash reimbursement rates, calendar years 1972–83 (in cents)

1972

Paid, 6 cents
Reduced price, +40 cents (i.e., 46 cents) less the highest charge for meals
Free, +40 cents (i.e., 46 cents)

1973

Paid, 8 cents
Reduced price, +40 cents (i.e., 48 cents) less the highest charge for meals
Free, +40 cents (i.e., 48 cents)

1974 [1]

January–June
Paid, 10 cents
Reduced price, +35 (45) cents
Free, +45 (55) cents

July–December
Paid, 11 cents
Reduced price, +39.5 (50.5) cents
Free, +49.5 (60.5) cents

1975

January–June
Paid, 11.75 cents
Reduced price, +42.5 (54.25) cents
Free, +52.5 (64.25) cents

July–December
Paid, 12.25 cents
Reduced price, +44.5 (56.75) cents
Free, +54.5 (66.75) cents

1976

January–June
Paid, 12.5 cents
Reduced price, +46.75 (59.25) cents
Free, +56.75 (69.25) cents

July–December
Paid, 13.0 cents
Reduced price, +48.5 (61.5) cents
Free, +58.5 (71.5) cents

1977

January–June
Paid, 13.25 cents
Reduced price, +50.0 (63.25) cents
Free, +60.0 (73.25) cents

July–December
Paid, 14.0 cents
Reduced price, +53.0 (67.0) cents
Free, +63.0 (77.0) cents

1978

January–June
Paid, 14.5 cents
Reduced price, +55.0 (69.5) cents
Free, +65.0 (79.5) cents

July–December
Paid, 15.25 cents
Reduced price, +58.25 (73.5) cents
Free, +68.25 (83.5) cents

1979

January–June
Paid, 15.75 cents
Reduced price,[2] +51.50 (67.25) cents
Free, +71.50 (87.25) cents

July–December
Paid, 17.0 cents
Reduced price, +56.25 (73.25) cents
Free, +76.25 (93.25) cents

1980

January–June
Paid, 17.75 cents
Reduced price, +59.50 (77.25) cents
Free, +79.50 (97.25) cents

July–December
Paid, 18.50 cents
Reduced price, +63.50 (82.0) cents
Free, +83.50 ($1.02) cents

1981 [3]

January–June
Paid, 16.0 cents
Reduced price, +63.5 (79.5) cents
Free, +83.5 (99.5) cents

July–September
Paid, 17.75 cents
Reduced price, +71.50 (89.25) cents
Free, +91.50 (109.25) cents

1982 [4]

September 1981–June 1982	*July 1982–June 1983*
Paid, 10.5 cents	Paid, 11.0 cents
Reduced price, +58.75 (69.25) cents	Reduced price, +64.0 (75.0) cents
Free, +98.75 (109.25) cents	Free, +104.0 (115.0) cents

[1] Reimbursement rates permanently set and indexed semi-annually for increases in the CPI. Jan. 1, 1981 inflation adjustment was eliminated under the provisions of the Omnibus Reconciliation Act of 1980 (Public Law 96–499).

[2] Beginning in 1979, the reduced-price rate was lowered to 20 cents less than the free rate unless a State set a standard meal charge of less than 20 cents for each such lunch. In that case, the reduced-price rate was to be the lower of either 10 cents less than the free rate or the difference between the free rate and the meal charge. This exception was eliminated under the provisions of the Omnibus Reconciliation Act of 1980 (Public Law 96–499). At that time all but 5 States and the trust territories were receiving the higher reduced-price payment.

[3] Effective Jan. 1, 1980, and through September 1981, the basic rate for all meals was reduced by 2.5 cents in all school districts where less than 60 percent of the lunches were served free or at reduced price. This reduction was affected under the provisions of the Omnibus Reconciliation Act of 1980 (Public Law 96–499) and was operative only through September 1981 when the law was changed again. The Jan. 1, 1981 inflation adjustment was eliminated by the law.

[4] Reflects changes enacted under the Omnibus Budget Reconciliation Act of 1981 (Public Law 97–35). 2 cents additional allowed for school districts where 60 percent or more of meals are served free and at reduced price.

Source: Federal Register. Notice of payment rates for each of years 1972–80.

School Breakfast Program

The school breakfast program [SBP], initiated in fiscal year 1967, provides assistance to States to initiate, maintain or expand nonprofit breakfast programs in eligible schools and other child care institutions. For each breakfast served, Federal reimbursement is provided at three basic rates, depending on the income of the families of the children participating in the program.

In fiscal year 1982, the program operated in 34,362 schools and institutions and served approximately 567.9 million breakfasts to an average of 3.4 million children daily.

The program operates in all 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, the Northern Marianas, American Samoa, and the trust territories.

The school breakfast program has never been as large as its older counterpart, the school lunch program. The following table outlines the school breakfast participation levels among schools and children within participating schools:

ENROLLMENT OF CHILDREN SERVED BY THE SCHOOL BREAKFAST PROGRAM, FISCAL YEAR 1982

Type of institution	Number of participating institutions	Enrollment of children within participating institutions (millions)	Average breakfast program participation (millions)	Breakfast program participation as percent of enrollment
Schools (public and private)	30,459	15.335	3.3	21.5
Residential child care institutions (public and private)	3,903	.178	.1	74.5
Total	34,362	15.513	3.4	22.1

Source: Food and Nutrition Service, U.S. Department of Agriculture.

During fiscal year 1982, the major portion of participants who received free breakfeasts—approximately 84 percent—were children from households within incomes at or below 130 percent of poverty. Another 5 percent of children were from families with incomes between 130 and 185 percent of poverty who received reduced-price breakfasts. An additional 11 percent paid for their breakfasts. These are primarily children with family incomes above 185 percent of poverty.

Participation varies a great deal among school children of various ages. The following table portrays the percentage of public school children—in participating breakfast schools—that participated in the breakfast program by grade level:

Percentage of breakfast program participation within participating public schools, 1981 [1]

	Percent
Elementary	33.0
Junior high	23.0

	Percent
Senior high	12.0
Total	24.6

[1] The figures cited in the earlier table are for 1982 (after reconciliation changes had been implemented) and include private schools and residential child care institutions.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Most schools participating in the breakfast program are elementary schools—73 percent—as shown in the accompanying table. Additionally, student participation is heavier there and consequently most meal reimbursements—74 percent—are for meals served within elementary schools.

DISTRIBUTION OF PARTICIPATING SCHOOLS AND MEAL REIMBURSEMENTS IN THE SCHOOL BREAKFAST PROGRAM, FISCAL YEAR 1982

[In percent]

	Schools	Breakfast reimbursements for meals served to children
Grade level:		
Elementary	73	74
Junior high	13	13
Senior high	14	13

SEVERE NEED

Basic Federal reimbursements are predicated on the income level of the families of children who participate in the program. Federal law provides an additional payment to be made on behalf of schools designated in "severe need." A school food authority may apply for severe need reimbursement under certain circumstances tied to both the cost of breakfast preparation and distribution of free and reduced-price students in the lunch program. A school food authority may receive severe need funding if 40 percent or more of the lunches served were served at a free or a reduced price and unusually high preparation costs exceed the regular breakfast reimbursement. An exception to this rule is currently provided for schools that served breakfast because State law requires the operation of a breakfast program in the school. Such schools are automatically determined to be severe-need schools. Currently three States require a breakfast program in all or a portion of their public schools. They are New York, Ohio, and Texas.

(NOTE.—As a result of a phased-in change made by the Omnibus Budget Reconciliation Act of 1981, schools that are required by State law to operate a school breakfast program will no longer qualify for automatic designation as a severe need school. Lead time was given to allow State legislatures sufficient time to amend their policies, if they so desire, in light of the Federal change in applicable reimbursement rates. Effective July 1, 1983, schools in States in which the legislature meets annually will no longer be deemed severe need solely by virtue of a State requirement to serve breakfast; rather, they will have to meet the other criteria of Fed-

eral law. Elimination of similar schools in States in which the legislature meets biennally will take place July 1, 1984.)

"Severe need" reimbursements are only available for free and reduced-price breakfasts.

Currently, about 47 percent of the breakfasts served in participating schools receive the severe need subsidy.

Eligibility for free and reduced-price breakfasts is tied to school lunch program eligibility; that is, free when family income is at or below 130 percent of poverty—currently $12,090 for a family of four—and reduced price when family income is at or below 185 percent of poverty—currently $17,210 for a family of four.

Under Federal law, schools may not charge students who qualify for the free breakfasts. It is literally meant to be "free" to the student. The 1982-83 school year Federal reimbursement rate for free breakfasts is 60 cents per meal, 72.25 cents in severe need schools.

Schools may charge students for reduced-price breakfasts, but no more than 30 cents. In the 1982-83 school year, the average charge for a reduced-price breakfast is 22 cents.

There is no limit placed on the amount a school may charge for breakfasts served to paying students—those from families with incomes above 185 percent of poverty. In the 1981-82 school year, the average price of breakfast to paying students was 41 cents, according to the Food and Nutrition Service. The current Federal reimbursement made on behalf of paying students is 8.75 cents per meal for both regular and severe need schools.

Also the distribution of free, reduced price, and paid breakfasts varies within the various grade levels. The following chart outlines the percentages of public schoolchildren participating in each of the three levels—free, reduced price, and paid—in the various levels of schools during fiscal year 1981:

DISTRIBUTION OF FREE, REDUCED PRICE, PAID REIMBURSEMENTS IN SCHOOL BREAKFAST PROGRAM BY GRADE LEVEL IN PUBLIC SCHOOLS, FISCAL YEAR 1981

[In percent]

	Elementary	Junior high	Senior high	Total
Free	75	72	62	73
Reduced price	8	6	6	7
Paid	19	22	32	20

Source: Food and Nutrition Service, U.S. Department of Agriculture

The current school breakfast cash reimbursement rates are as follows:

FEDERAL REIMBURSEMENT RATES IN THE SCHOOL BREAKFAST PROGRAM, JULY 1, 1982 THROUGH JUNE 30, 1983

[In cents]

	Regular reimbursement	Severe need reimbursement
Free (below 130 percent)	60.0	72.25
Reduced-price (130 to 185 percent)	30.0	42.25
Paid (above 185 percent)	8.75	(1)

[1] There is no higher severe need rate for paying students; rather the 8.75 cents rate applies.

All these rates are indexed annually on July 1, based on changes in the Consumer Price Index for Food Away From Home for the previous 12 months ending May 30.

Growth in the program had been consistent during the operation of the program until changes enacted in the Omnibus Budget Reconciliation Act of 1981, as demonstrated by the following table:

SCHOOL BREAKFAST PROGRAM—FUNDING AND PARTICIPATION

Fiscal year	Total	Average daily participation		Paid	Program level (rounded to thousands)
		Free	Reduced		
1967	80,000	[1] 60,000		20,000	$573,000
1968	200,000	[1] 100,000		100,000	2,000,000
1969	300,000	[1] 200,000		100,000	5,540,000
1970	600,000	[1] 400,000		200,000	10,870,000
1971	1,000,000	[1] 800,000		200,000	20,140,000
1972	1,100,000	[1] 900,000		200,000	24,422,000
1973	1,300,000	1,100,000	30,000	170,000	37,002,000
1974	1,500,000	1,200,000	20,000	280,000	58,521,000
1975	2,000,000	1,600,000	50,000	350,000	83,000,000
1976	2,300,000	1,900,000	70,,000	330,000	116,500,000
TQ [2]	2,100,000	1,700,000	80,000	320,000	16,963,000
1977	2,600,000	2,100,000	100,000	400,000	144,076,000
1978	2,800,000	2,200,000	240,000	460,000	184,269,000
1979	3,200,000	2,500,000	200,000	500,000	216,435,000
1980 [3]	3,690,000	2,900,000	250,000	540,000	246,900,000
1981	3,810,333	3,051,333	249,889	509,111	339,126,000
1982	3,361,667	2,826,889	165,000	369,778	319,400,000

[1] Participation not separated for these years.
[2] Transition quarter—period from July 1, 1976 through September 30, 1976 just prior to the official change in the fiscal year from July 1 through June 30 to October 1 through September 30.
[3] Participation breakdown for free, reduced and paid breakfasts is estimated on the basis of breakfasts served in these categories.

The following chart outlines State participation levels during fiscal year 1982:

SCHOOL BREAKFAST PROGRAM—BREAKFASTS SERVED FISCAL YEAR 1982

[In thousands]

State	Total breakfasts served					
	Paid	Reduced price		Free		Total
		Regular	Severe need	Regular	Severe need	
Alabama	1,078	549	141	12,446	4,181	18,395
Alaska	51	10	15	106	227	409
Arizona	513	87	133	1,739	2,681	5,153
Arkansas	1,330	321	134	3,981	2,393	8,159
California	4,682	680	1,765	11,757	45,626	64,510
Colorado	504	48	80	919	1,590	3,141
Connecticut	170	14	10	464	554	1,212
Delaware	159	17	24	514	790	1,504
District of Columbia	86	38		2,341		2,465
Florida	2,490	382	895	7,395	16,127	27,289
Georgia	4,484	1,263	39	19,419	390	24,494
Guam	407	5	106	50	756	1,324
Hawaii	585	287	10	2,300	54	3,236
Idaho	64	10	6	157	167	404
Illinois	1,025	247		16,929		18,201
Indiana	873	60	104	1,763	1,539	4,339
Iowa	526	44	17	1,296	198	2,081

15-642 O—83——3

SCHOOL BREAKFAST PROGRAM—BREAKFASTS SERVED FISCAL YEAR 1982—Continued

[In thousands]

State	Total breakfasts served					
	Paid	Reduced price		Free		Total
		Regular	Severe need	Regular	Severe need	
Kansas	455	36	25	316	476	1,308
Kentucky	3,057	158	1,088	1,534	12,890	18,727
Louisiana	2,697	875	.....	15,595	.....	19,167
Maine	226	17	109	125	938	1,415
Maryland	780	80	192	1,029	4,184	6,265
Massachusetts	762	164	7	5,863	510	7,306
Michigan	533	11	86	218	5,567	6,415
Minnesota	496	93	26	1,752	424	2,791
Mississippi	1,223	1,006	28	16,797	499	19,553
Missouri	411	63	99	1,049	5,587	7,209
Montana	122	13	28	143	541	847
Nebraska	244	19	36	247	540	1,086
Nevada	607	8	23	178	1,002	1,818
New Hampshire	221	6	34	51	257	569
New Jersey	671	179	115	6,158	1,690	8,813
New Mexico	408	226	.....	3,686	.....	4,320
New York	2,105	107	1,876	864	36,267	41,219
North Carolina	3,919	1,207	732	17,084	11,031	33,973
North Dakota	282	15	18	165	121	601
Ohio	1,108	58	442	1,441	17,795	20,844
Oklahoma	1,864	610	46	5,939	355	8,814
Oregon	272	18	25	512	1,251	2,078
Pennsylvania	813	118	105	1,108	6,623	8,767
Puerto Rico	1,284	2,624	.....	21,174	.....	25,082
Rhode Island	34	12	.....	1,118	.....	1,164
South Carolina	1,256	126	692	1,068	9,579	12,721
South Dakota	173	14	53	56	1,189	1,485
Tennessee	1,428	297	318	4,691	6,419	13,153
Texas	10,172	921	2,636	14,931	42,572	71,232
Utah	96	4	17	113	612	842
Vermont	75	4	12	21	85	197
Virginia	1,492	516	47	6,970	1,441	10,466
Virgin Islands	9	11	.....	55	.....	75
Washington	365	37	69	1,137	2,011	3,619
West Virginia	3,156	1	761	104	8,423	12,445
Wisconsin	357	79	29	1,250	893	2,608
Wyoming	7	2	7	29	88	133
American Samoa	89	.....	.....	1,181	.....	1,270
Northern Mariana Islands	12	.....	.....	483	.....	495
Trust Territory	1	2	.....	2,128	.....	2,131
Total	61,208	13,799	13,260	221,939	259,133	569,339

Source: Food and Nutrition Service, U.S. Department of Agriculture.

LEGISLATIVE HISTORY

The school breakfast program was established under the Child Nutrition Act of 1966, Public Law 89-642, initially authorized as a 2-year pilot project. The program was to be targeted to the nutritionally needy although no definition of this term was provided. In the first year of operation, fiscal year 1967, the program served 80,000 children at a Federal cost of $573,000. The original legislation provided that first consideration for program implementation was to be given to schools in poor areas and areas where children had to travel a great distance to school. Funds were provided to

local school districts through the State educational agencies to pay for a portion of the food used in the program, but not for labor costs. In cases of "severe need" Congress permitted Federal reimbursement of up to 80 percent of all operating costs.

In the 1968 amendments, Public Law 90-302, the program authority was extended through fiscal year 1971.

Public Law 92-32, enacted in 1971, provided for the extension of the breakfast program through fiscal year 1973 and also expanded the schools that could be given priority consideration for the program to include those in which there was a special need to improve the nutrition and dietary practices of children of working mothers and children from low-income families. This new law also allowed the Secretary of Agriculture to pay 100 percent of the operating costs of a program in cases of severe need, and provided that eligibility for free and reduced-price breakfasts was to be based on the same income eligibility guidelines as used in the school lunch program. At the time of enactment, participating schools had to provide free and reduced-price meals to children from families with incomes at or below 100 percent of poverty level. States could set higher limits.

In 1972, Public Law 92-433 extended the authorization for the breakfast program through fiscal year 1975. Funding for the program was changed to provide payment based on the number of breakfasts served. Also, the Secretary was authorized to make payments directly for breakfasts served in nonprofit private schools in a manner similar to that used by State educational agencies administering programs in the public schools.

The 1973 amendments to the Child Nutrition Act of 1966, Public Law 93-150, established specific per meal reimbursements, rather than continuing the categorical grant approach. A minimum 8 cents per meal Federal reimbursement was established for each paid breakfast, an additional 15 cents for each reduced-price breakfast, and an additional 20 cents for each free breakfast. In cases of severe need, a maximum payment of up to 45 cents was authorized for free breakfasts. The act also instituted indexing in the breakfast program, providing semiannual indexing each January 1 and July 1 based on changes in the Consumer Price Index for Food Away From Home during the most recent 6-month period for which data are available.

In the 1975 amendments to the Child Nutrition Act of 1966, Public Law 94-105, the authorization for appropriations for the school breakfast program was made permanent. This legislation included a statement of congressional intent that the program "be made available in all schools where it is needed to provide adequate nutrition for children in attendance." The Secretary was required to report plans for breakfast program expansion and to undertake a program of information to further the expansionary intent of Congress.

The 1977 amendments, Public Law 95-166, increased the maximum reimbursement for free and reduced-price breakfasts in severe need schools to the higher of either 10 cents above the regular reimbursement for free breakfasts or 45 cents adjusted semiannually based on increases in the series of Food Away From Home in the Consumer Price Index. For reduced-price breakfasts, the re-

imbursement rate was set at 5 cents below the maximum payment for free breakfasts.

The 1978 amendments, Public Law 95–627, included provisions to encourage expansion of the breakfast program by providing additional financial assistance and food service equipment to local schools initiating breakfast programs. States were required to expand eligibility for severe need reimbursement for breakfasts to include schools with substantially low-income populations. At a minimum, this was to include those schools that served 40 percent or more of their school lunches free or at a reduced price and in which the normal rate of reimbursement for breakfasts was insufficient to cover costs of operating a program. However, States could set the severe need eligibility threshold lower, and many did so.

Since 1973, reimbursements had been adjusted each July 1 and January 1 to reflect increases in the CPI series for Food Away From Home for the most recent 6-month period for which data were available. Under the Omnibus Reconcilation Act of 1980, Public Law 96–499, the breakfast reimbursement rates effective July 1, 1980, were to be maintained through June 30, 1981, when they would be adjusted in accordance with increases in the CPI series for Food Away From Home for the most recent 12-month period for which data was available, that is, May 1980–May 1981.

Public Law 96–499 also included a prohibition on commodity donations for the school breakfast program. Prior to this prohibition, the Secretary of Agriculture was permitted—but not required—to donate commodities to breakfast programs. In the 1979–80 school year the value of such commodities was 3 cents per breakfast. In general, breakfast programs had not utilized a large amount of commodities because the commodities offered were often inappropriate for the kinds of breakfasts served.

The 1980 act also prohibited Job Corps centers from receiving child nutrition funds for breakfast programs.

Under the Omnibus Budget Reconciliation Act of 1981, reimbursements were reduced for reduced-price and paid categories in the breakfast program. No changes were made in the reimbursements for free breakfasts.

The following table denotes the previous reimbursement rates, those set by the 1980 and 1981 legislation:

CHANGES MADE BY 1980 AND 1981 RECONCILIATION ACTS TO REIMBURSEMENT LEVELS IN THE SCHOOL BREAKFAST PROGRAM

	Pre-1980 July 1, 1980	1980 Reconciliation (Public Law 96–499) Jan. 1, 1981	1981 Reconciliation (Public Law 97–35)	
			July 1, 1981	July 1, 1982
Free:				
Regular	52.0	52.0	57.0	60.0
Severe Need	62.75	62.75	68.5	72.25
Reduced Price:				
Regular	42.5	42.5	28.5	30.0
Severe Need	57.75	57.75	38.5	42.25
Paid	14.75	14.75	8.25	8.75
Commodities	3.0	(1)	(1)	(1)

[1] The Secretary's authority to distribute commodities was eliminated by the Omnibus Reconciliation Act of 1980.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Under the 1981 legislation, all reimbursement rates will be adjusted annually rather than semiannually, thereby making permanent the 1-year annualization of indexing initiated by the 1980 Reconciliation Act.

The maximum meal charge permitted for a reduced-price breakfast was increased from 10 to 30 cents.

In addition, severe need assistance was restricted to schools in which 40 percent or more of school lunches are served free and at reduced price and in which regular rates are insufficient to cover the costs of the program. State authority to set severe need criteria was eliminated. Although the previous criteria was to include schools serving free and reduced-price lunches to 40 percent or more of their students, or schools with a breakfast program mandated by State law, States were permitted to set other, less stringent criteria, and many did so. Schools qualifying for severe need reimbursements because of a State law requiring a breakfast program will continue to qualify for such reimbursements through June 30, 1983, unless the State legislature meets biennially, in which case such schools will continue to qualify through June 30, 1984.

As with other FNS programs, private schools with tuitions of $1,500 or more were not permitted to participate.

In 1982, the Reagan administration recommended that the school breakfast program be included in a block-grant with the child care food program, funded at 80 percent of the previously anticipated level of spending for these two programs. Under this proposal, States would have had the option of using the combined funding for any combination of those two programs as well as two other programs which the administration proposed for total elimination: the special milk program and the summer food service program. Additionally, the block-grant money could have been used for other child nutrition programs including, but not limited to, the school lunch program, which was not proposed for reform or consolidation. Congress did not approve any of the Reagan administration's proposed child nutrition changes.

CHILD CARE FOOD PROGRAM

The child care food program [CCFP] provides Federal funds for food service to children in participating child care institutions. These include certain child care centers, family and group day care homes, and head start programs. The program cost $310 million in fiscal year 1982, and has grown dramatically in recent years as the following chart demonstrates:

GROWTH OF THE CHILD CARE FOOD PROGRAM SINCE ITS INCEPTION IN 1969

Fiscal year	Average daily attendance (thousands)	Expenditures [1] (millions)
1969	22.9	$1,218
1970	79.9	7,671
1971	182.6	12,620
1972	185.0	15,189
1973	197.4	18,315
1974	266.7	28,225
1975	375.2	48,823
1976	405.0	76,276
Transition quarter	352.8	17,414
1977	479.6	111,149
1978	529.0	134,957
1979	598.3	164,675
1980	661.2	239,200
1981	777.7	329,000
1982	830.7	310,000

[1] Fiscal year 1969–79 expenditures represent meal service and nonfood assistance.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Federal assistance is furnished in the form of reimbursement rates for each meal served. Eligible meals for which a reimbursement may be paid are breakfast, lunch, supper, and a snack, for supplement; however, Federal reimbursement is limited to two meals and one supplement per day.

The program is made up of two distinct components with considerably different criteria for participation: child care centers and day care homes.

CHILD CARE CENTERS

Eligible institutions include public or private nonprofit child care centers, and for-profit child care centers that receive compensation for child care under title XX of the Social Security Act for at least 25 percent of the children in attendance. Title XX of the Social Security Act provides Federal funds to States for social services which include day care. Under this program, States have broad discretion to decide which social services they wish to provide. In fiscal year 1981, approximately $715 million to $2.9 billion in Fed-

eral title XX funds were spent on day care. Under the provisions of the Omnibus Budget Reconciliation Act of 1981, funding for title XX was reduced from $3 billion to $2.4 billion. The law requires that day care provided with title XX funds meet applicable standards of State and local law.

Other eligible institutions are head start programs, settlement houses, and recreation centers.

Of the entire child care food program, 67 percent of fiscal year 1982 program costs and 69 percent of program meals served were associated with food assistance in child care centers.

Reimbursement rates for such centers are based on the family income of the individual child receiving the meal or snack. Like the school lunch program, there are three categories of reimbursement for child care centers each based on income criteria.

The free category is limited to those children from families with incomes at or below 130 percent of the poverty level, as established by the Office of Management and Budget [OMB]. The current limit—130 percent of poverty—effective July 1, 1982, is $12,090 for a family of four. This figure is adjusted each July to reflect increases in the Consumer Price Index.

The 130 percent gross income test corresponds to the income standard for free meals under the school lunch and breakfast programs and is the same as the gross income eligibility standard for participation in the food stamp program.

The income eligibility standard for the reduced-price category is set at 185 percent of the OMB poverty guidelines—currently $17,210 for a family of four. This also corresponds to the school lunch and breakfast program limit for reduced-price reimbursement in those programs.

The paid category is for those children from households with incomes above 185 percent of the OMB poverty guidelines.

Generally, only children age 12 and under may participate in the child care food program; however, handicapped children up to age 18 and migrant children up to age 15 may participate.

The reimbursement rates for child care centers, other than those in Alaska and Hawaii, are as follows:

CASH REIMBURSEMENT RATES FOR CHILD CARE CENTERS, JULY 1, 1982, TO JUNE 30, 1983

[In cents]

	Free	Reduced price	Paid
Breakfast	60.0	30.0	8.75
Lunch/Supper	115.0	75.0	11.0
Supplement (snack)	31.5	15.75	3.0

The reimbursement rates for breakfasts and lunches—or suppers—served in the child care centers are the same as those established for the school breakfast and lunch programs. As in those programs, the rates are indexed annually to reflect changes in the Consumer Price Index for Food Away From Home.

Commodity assistance, valued at the same rate as that for school lunches—currently 11.5 cents for the period July 1, 1982–June 30, 1983—is also provided for each lunch or supper served. However,

unlike the school lunch program, commodity assistance for the child care food program may be provided in cash if States so choose.

For fiscal year 1982—which ended September 30, 1982—the number of meals served to children falling in each category within child care centers was as follows:

NUMBER OF MEALS SERVED BY REIMBURSEMENT CATEGORY—EXCLUDING FAMILY AND GROUP DAY CARE HOMES

	Number of meals served	Percent of meals served
Free (below 130 percent of poverty)	226,400,000	66.1
Reduced price (between 130 to 185 percent of poverty)	45,300,000	13.2
Paid (above 185 percent of poverty)	70,600,000	20.7

DAY CARE HOMES

The second component of the child care food program—commonly referred to as "day care homes"—serves family and group day care homes. The care homes represent 31 percent of all meals served through the child care food program, and 33 percent of the total cost. The Congressional Budget Office estimates that fiscal year 1983 costs for day care homes will be $100 million.

There are no individual income criteria for children receiving subsidized meals in participating day care homes. Rather, the homes receive a reimbursement that is standardized for all meals or supplements at a rate slightly lower than that for free meals served in the child care centers.

The reimbursement rates are:

Cash reimbursement rates for family and group day care homes—July 1, 1982, to June 30, 1983

	Cents
Breakfast	50.25
Lunch/supper	98.5
Supplement (snack)	29.5

As with centers, commodity assistance, valued at the same rate as that for school lunches—11.5 cents for the period July 1, 1982 through June 30, 1983—is available to day care homes for each lunch and supper served; at the option of the State, such assistance may be provided in cash and usually is. The rates shown above reflect the inclusion of cash-in-lieu of commodities.

The children of a family day care home provider may only participate in the child care food program if the family income is at or below 185 percent of the OMB poverty guidelines.

The provider is the person—sometimes a mother—who is in charge of the children for whom day care is provided in her home. The maximum number of children in a day care home varies according to State or local licensing or other requirements. Typically, no more than 3 to 5 children are in a participating home. Day care homes must meet any licensing requirements imposed by the State or otherwise gain approval by a State or local agency as well as be a member of a sponsoring organization.

As with the child care centers, handicapped children up to age 18 and children 12 years of age and under—age 15 if children are migrants—are eligible to participate in the program within day care homes.

Day care homes are administered locally through sponsoring organizations known as sponsors. In 1982, approximately 55,000 individual day care home providers who participated in the program belonged to 1 of approximately 700 sponsors nationwide.

The administration of the program is handled primarily through these sponsors who are largely responsible to ensure that Federal and State rules and regulations are maintained by the individual homes. The sponsoring organization gathers and maintains food service data for each home—or center—and prepares a monthly consolidated claim requesting reimbursement. Sponsors range in size from administering as few as 1 provider to as many as 6,000. While most sponsors act in behalf of day care homes, they may also represent child care centers.

Some sponsors are exclusively located within one city or State while others are interstate associations.

Attention has been drawn to the day care home component of the child care food program because of reports of an increasingly large proportion of nonpoor children participating. The way the program is currently structured there is no differentiation in eligibility of Federal payment levels according to the family income of the participating child.

Prior to May 1980, family day care home food programs operated under the same requirements as day care centers. In 1978, a simplified payment structure had been enacted for child care center programs. This system allowed for a standardized system of payments based on the group incomes of children in each center. With this change, a separate provision was also enacted for family and group day care homes establishing a separate payment system without income requirements. These proposals were actually implemented in May 1980.

In 1981, under the provisions of the Omnibus Budget Reconciliation Act of 1981, Congress eliminated the group payment system for day care centers and reverted to the previously applied system of individual income standards based on those used for free and reduced price school lunches—that is, 130 and 185 percent of poverty. However, the system of payments and eligibility for family day care homes remained essentially the same that is, except for children of providers, no income criteria.

A recently completed audit, September 30, 1982, by the Office of Inspector General [OIG] of the Department of Agriculture has indicated that in the largest association of day care homes a majority of participants had family incomes above both the free—130 percent of poverty—and reduced price—185 percent of poverty—income eligibility levels used for the child care centers and school lunch and breakfast programs.

The OIG audited the largest multi-State sponsor in the program, Quality Child Care, Inc. of Mound, Minn. According to the OIG, Quality Child Care, Inc., represented about 6,850 providers in seven States as of September 30, 1981. During fiscal year 1981, this sponsor received Federal reimbursements totaling $12,772,914, repre-

senting about 16 percent of the funds provided for all day care homes participating in the program during fiscal year 1981.

According to the OIG audit, 200 individual day care home providers were randomly selected; 71 percent of all children enrolled in these programs sponsored by Quality Child Care, Inc., were from families with incomes above 185 percent of poverty. Another 15 percent had incomes between 130 percent and 185 percent of poverty. Only 14 percent of the children in the day care homes studied had incomes below 130 percent of poverty.

The OIG noted:

> We computed that a potential savings of $5.8 million in fiscal year 1981, could have been realized at this sponsor alone if provider reimbursement would have been based on income criteria. We also estimated possible program savings of $36.5 million in fiscal year 1981 and $34.9 million in fiscal year 1982, if other family day care home sponsors had income mixes similar to QCCI.

The most recent data on incomes that FNS had available at the time income criteria were eliminated in May 1980, indicated that 43 percent of the children in day care homes were eligible for free meals, 24 percent of the children were eligible for reduced-price meals, and the remaining 33 percent were in the paid category.

The OIG noted that its findings paralleled findings in a separate study:

> The preliminary report on the evaluation of the child care food program by Abt Associates, Inc., indicates that in December 1981, between 57 and 67 percent of the children served in family day care homes would have been in the paid income eligible category.

(Since the release of the OIG report, FNS has indicated preliminary findings that 64 percent of day care home children are in paid income eligibility category.)

The OIG made the following recommendation:

> Unless the current structure of the CCFP is eliminated, FNS needs to reinstate income eligibility criteria for family day care home participants.

GROWTH IN DAY CARE HOMES

The number of children receiving benefits of the child care food program through day care homes has more than quadrupled since 1978, increasing from 40,000 to 205,000 for 1982.

The dramatic increase in participation among family day care homes is primarily a result of the 1978 amendments which liberalized the program by eliminating income eligibility categories and by standardizing the reimbursement rates to encourage greater participation by day care homes and their sponsors.

Judging from the OIG audit and the tentative findings in the Abt study cited above, the composition of those day care homes participating and the families served has changed considerably since the passage of the 1978 amendments.

Indeed, the national percentages for the various income categories at the time the income eligibility was eliminated—May 1980—were as follows as contrasted with the present distribution:

FREE, REDUCED PRICE, AND PAID INCOME CATEGORIES WITHIN FAMILY GROUP DAY CARE HOMES

[In percent]

	1980	1982 [1]
Free (below 130 percent)	44	25
Reduced price (130 to 185 percent)	24	11
Paid (above 185 percent)	32	64

[1] Preliminary figures furnished by Food and Nutrition Service, U.S. Department of Agriculture based on Jan. 1, 1982 data from Abt Associates report.

It should also be noted that day care homes participating in the child care food program constitute about 7 to 8 percent of all existing day care homes.

Of approximately 1.3 million day care homes serving 3.4 million children, 53,000 homes participated in the program during 1982; they served meals to an average of 205,000 children daily.

A recent study of child care by the Administration for Children, Youth, and Families within the Department of Health and Human Service indicated that the family day care home is the most widely used form of child care in the United States. The study, entitled "Final Report of the National Day Care Home Study", indicated that of those families relying on some type of child care outside the home in the United States, 45 percent use family day care homes. This represents an estimated population of 5.1 million children. The Congressional Research Service of the Library of Congress summarized the potential for growth in the day care home component of the child care food program as reported in the study:

> Since family day care homes currently provide child care food program meals to approximately 237,000 children, this could present a potential for growing demands for Federal funds for the Child Care Feeding Program.
>
> However, there are some constraints that might limit this potential. For example, to be eligible for participation in the Child Care Feeding Program, a day care home must be licensed or approved by State or local government or approved by USDA, or receive compensation for services under title XX of the Social Security Act. In addition, every day care home participating in the Child Care Feeding Program must have a sponsoring agency which administers the program. While there are over 1.8 million operating family day care homes in the United States, only about 6.3 percent or 73,750 of the homes are regulated. ("Review of the USDA Study of Day Care Homes Operating Child Care Food Programs in the Southeast Region," August 31, 1982.)

DUAL FUNDING

A joint Inspectors General audit issued in January 1982 called attention to dual funding in various programs, including the child care food program. One of the findings of that report was that "Ineffective Federal and State regulations, procedures, and guidelines have resulted in local child care operations being funded beyond their actual costs."

The report noted that in one child care agency reviewed, $201,973 of duplicate costs had been charged to more than one Federal program, resulting in excess Federal reimbursements of $58,172. The largest source of duplication with the child care food program, according to the OIG report, was with the head start program. The OIG found that title XX, CETA, and Community Services Administration funds, the latter since made into a block grant, reimbursed for various costs which were also billed to the child

care food program. See "Joint Inspectors General Project Report on Multi-Funded Agencies," January 19, 1982.

Subsequently, FNS determined, after consultation with the OIG, to supply audit information to the Department of Health and Human Services when dual cases are identified. In such cases, HHS agencies will be responsible to take corrective action and recover any overissuances.

Participation levels, by State, are shown in the following table:

CHILD CARE FOOD PROGRAM

[Participation and meals served fiscal year 1982]

State	Number of centers/homes	Participation peak month (thousands)	Total meals served (thousands)					
			Child care centers				Family day care homes	Total (thousands)
			Paid	Reduced price	Free	Total		
Alabama	1,486	17	459	254	9,344	10,057	1,248	11,305
Alaska	261	5	898	303	315	1,516	610	2,126
Arizona	1,772	14	695	571	2,183	3,449	2,840	6,289
Arkansas	318	8	512	406	2,718	3,636	443	4,079
California	6,688	104	7,959	6,514	21,699	36,172	17,847	54,019
Colorado	3,412	27	1,796	608	1,801	4,205	9,534	13,739
Connecticut	1,006	7	617	337	2,228	3,182	1,760	4,942
Delaware	148	3	369	105	939	1,413	327	1,740
District of Columbia	179	5	712	405	1,363	2,480	205	2,685
Florida	1,144	29	1,623	1,208	12,442	15,273	1,632	16,905
Georgia	2,267	26	1,180	844	8,557	10,581	5,557	16,138
Guam	1		33	7	24	64		64
Hawaii	169	6	1,434	374	878	2,686	108	2,794
Idaho	234	2	176	104	275	555	678	1,233
Illinois	3,577	31	3,608	1,737	5,259	10,604	10,325	20,929
Indiana	574	14	1,865	837	3,246	5,948	1,211	7,159
Iowa	955	15	1,185	422	970	2,577	2,114	4,691
Kansas	1,154	11	1,261	759	1,031	3,051	3,553	6,604
Kentucky	365	12	1,607	625	3,119	5,351	260	5,611
Louisiana	263	12	527	443	5,063	6,033	106	6,139
Maine	390	4	132	147	633	912	1,154	2,066
Maryland	1,305	10	1,502	593	1,852	3,947	2,793	6,740
Massachusetts	2,745	28	1,598	1,058	6,233	8,889	5,565	14,454
Michigan	4,066	37	2,956	1,363	7,015	11,334	9,497	20,831
Minnesota	5,673	29	1,908	737	1,080	3,725	16,182	19,907
Mississippi	661	29	407	732	12,531	13,670	556	14,226
Missouri	1,150	17	1,249	719	3,360	5,328	3,640	8,968
Montana	435	5	325	259	758	1,342	1,180	2,522
Nebraska	782	7	764	306	736	1,806	2,206	4,012
Nevada	68	2	471	336	336	1,143	31	1,174
New Hampshire	247	3	351	246	515	1,112	634	1,746
New Jersey	824	37	1,021	1,413	13,176	15,610	142	15,752
New Mexico	660	9	644	603	2,108	3,355	1,582	4,937
New York	3,734	74	3,706	4,592	29,646	37,944	5,361	43,305
North Carolina	690	22	2,792	1,406	7,063	11,261	334	11,595
North Dakota	957	5	245	122	274	641	2,517	3,158
Ohio	2,232	26	3,138	1,407	5,440	9,985	4,055	14,040
Oklahoma	406	13	2,220	775	3,304	6,299	252	6,551
Oregon	1,837	10	1,120	434	1,144	2,698	2,912	5,610
Pennsylvania	2,459	28	1,637	3,927	10,102	15,666	3,211	18,877
Puerto Rico								
Rhode Island	300	4	261	198	817	1,276	343	1,619
American Samoa								
South Carolina	348	12	626	515	4,976	6,117	401	6,518
South Dakota	359	4	340	240	754	1,334	887	2,221
Tennessee	694	15	1,166	737	5,246	7,149	1,367	8,516

CHILD CARE FOOD PROGRAM—Continued

[Participation and meals served fiscal year 1982]

State	Number of centers/ homes	Participation peak month (thousands)	Total meals served (thousands)					Total (thousands)
			Child care centers				Family day care homes	
			Paid	Reduced price	Free	Total		
Texas	1,491	40	3,168	2,229	17,251	22,646	672	23,320
Trust Territory	44	1			507	507		507
Utah	847	8	630	426	889	1,945	2,640	4,585
Vermont	93	1	137	97	226	460	210	670
Virginia	1,622	19	2,040	730	2,211	4,981	2,795	7,776
Virgin Islands	40	1	33	35	375	443		443
Washington	4,488	32	2,290	831	1,825	4,946	13,348	18,294
West Virginia	471	4	716	271	1,036	2,023	629	2,652
Wisconsin	1,165	14	2,197	762	1,987	4,946	1,819	6,765
Wyoming	257	3	495	293	309	1,097	747	1,844
Northern Marianas	9				87	87		87
Total	69,522	901	70,801	45,402	229,256	345,459	150,020	495,479

LEGISLATIVE HISTORY

Background

Prior to 1968, Federal assistance for institutional feeding programs was concentrated on school food service programs. In 1968, responding to concern about the nutritional needs of primarily low-income children of preschool age and those who did not have access to food programs during the summer months, Congress enacted legislation creating a special food service program.

Creation of special food service program

The child care food program was originally encompassed as part of the special food service program for children authorized under section 13 of the National School Lunch Act Amendments of 1968, Public Law 90–302. This program provided for Federal grants-in-aid to State educational agencies for distribution to public and private nonprofit service institutions for the purpose of establishing meal programs similar to those operating in schools. Under the special food service program two pilot programs were carried out. One was to be operated for low-income schoolchildren in the summer months. This eventually became the summer food service program. The other was to be operated year round for children in day care centers or other nonresidential child care settings in areas in which poor economic conditions existed or in which there were high concentrations of working mothers. This was the forerunner of the child care food program.

For the most part, funds appropriated for this later program were provided to States on the basis of the number of children in families with incomes below $3,000 in each State as compared to the number of such children in the entire United States. A separate reserve was set aside for the outlying territories and the Secretary could provide a basic grant of not more than $50,000 to each State before employing the allocation formula.

In the first year of its operation in 1969, the year-round child care segment of the special food service program for children provided $1.2 million in Federal funds for meals served daily to an average of 22,900 children. Federal funds provided through this program were to be used to reimburse the cost of obtaining food, although a special reimbursement, not to exceed 80 percent of operating costs for the cost of obtaining, preparing, and serving food, could be provided if programs could not otherwise operate effectively. Provisions were also included to allow States to use no more than 25 percent of their funds for the cost of the purchase or rental of food equipment. Meals were required to meet minimum nutritional standards prescribed by the Secretary, and were to be served at no cost or reduced cost to children unable to pay the full cost. Programs were encouraged to use surplus or price-supported commodities, and the Secretary was authorized to donate such commodities to the program. A total of $10 million was appropriated for the special food service program in 1969. In that year the program served a daily average of 39,800 children in child care centers and 98,500 children in food programs operating during the summer months.

1970 amendments

The 1970 amendments, Public Law 91-248, to the National School Lunch Act included a provision requiring that institutions participating in the program determine and make public, eligibility criteria for participation in the free and reduced-price portion of their programs and that such determination be applied equitably.

In 1971, Public Law 92-32 extended the authorization of the special food service program through June 30, 1973, maintaining the $32 million authorization level, but also providing for a maximum of $100 million of section 32 funds to be used for free and reduced-priced meals served to needy children in schools and service institutions in fiscal year 1972. In addition, this law allowed in-kind contributions to be used in meeting the non-Federal share.

In 1972, Public Law 92-433 authorized up to $25 million of section 32 funds to be used for the special food service program for children during the period May 15 to September 15, 1972. In addition to the amount provided through appropriations. The authorization ceiling was removed, and such sums as were necessary were authorized for fiscal years 1973, 1974, and 1975.

Public Law 94-20, enacted in 1975, provided for an extension of the special food service program through September 30, 1975.

An average of 347,500 children participated daily in the child-care portion of the program during 1975, and approximately 1.8 million children participated in the summer portion of the program. The 1975 cost of the special food service program was $99.1 million with $48.8 million spent on the child care portion and $50.3 million spent on the summer portion.

Creation of child care food program—1975

In the 1975 amendments to the National School Lunch Act, Public Law 94-105, the child care and summer food components of the special food service program for children were separated. The summer food service program continued to be authorized as a pro-

gram under section 13 of the National School Lunch Act. A new section 17, authorized distinct funding for the child care food program, through September 30, 1978. The definition of institutions eligible for the child care food program was expanded from previous law to include any nonresidential public or private nonprofit organization providing child care. Family day care programs and head start programs were specifically included as eligible for program participation. While the 1975 amendments broadened eligibility for institutions, the new law also included requirements that such institutions have either Federal, State, or local licensing or approval as a child care institution, or that they demonstrate to the satisfaction of the Secretary of Agriculture that their child care standards are no less comprehensive than those required under the Federal interagency day care requirements.

For the first time, monthly payments were to be provided to the State agency on the basis of reimbursement rates provided for paid, free, or reduced-price meals. Breakfasts and lunches were to be reimbursed at the same rate as provided for school feeding programs; suppers were to be reimbursed at the same rate as lunches, and a mandated snack reimbursement was established at a rate of 5 cents for paid, 15 cents free, and 10 cents for reduced-price snacks. All of the reimbursement rates were to be adjusted semiannually to reflect changes in the Consumer Price Index Series for Food Away From Home. In addition, the new law provided for a mandatory level of commodity assistance, which could be provided in cash if the State agency so requested. The law also provided for $3 million of the appropriation to be used for nonfood—or equipment—assistance. This was to be apportioned to the States on the basis of the relative number of needy children under age 6 in the State as compared to the total of such children in the United States.

The 1975 amendments were intended to expand program participation, particularly among children receiving care in day care homes. While participation did expand, further legislation in 1978 was designed to encourage more rapid expansion.

1978

In 1978, the child care food program was authorized permanently by Public Law 95-627. The definition of eligible institutions was expanded to include programs developed to provide day care outside of school hours and public or private nonprofit organizations sponsoring family or group day care homes. Institutions were required to have Federal, State, or local licensing or approval. If such licensing or approval was not available, institutions could still qualify if they received funds under title XX of the Social Security Act or otherwise demonstrated ability to meet standards prescribed by the State or local government or the Secretary of what is now the Department of Health and Human Services.

As noted earlier, title XX provides funds to States for social services which includes child care provided in centers that meet Federal interagency day care requirements.

The most significant of the changes in the 1978 law affecting day care centers provided for a simplification of sponsor claims through a three-tier system of reimbursement for meals served. Beginning

in fiscal year 1979, if more than two-thirds of the children in a child care center were from families with incomes below the free and reduced price school lunch income eligibility levels, the free reimbursement rate was to be provided for all meals and supplements served in that center; if between one-third and two-thirds of the children were from such families, reduced-price rates were provided for all meals and snacks served; and if less than one-third of the children were from such families, the paid rate was provided for all meals and snacks served. The law allowed, but did not require, institutions other than family or group day care sponsoring institutions to receive meals and snack reimbursements at a rate appropriate for the individual family income of each child served. The effect of the tiering option was to simplify the calculation of the reimbursement payments and for most eligible day care centers, to increase these payments.

Advance payments for participating institutions were also permitted, as were startup payments for new day care home programs. In an effort to expand the program, particularly in areas in which there were large numbers of needy children, a provision was also included to provide for $6 million of the appropriated funds in each fiscal year to be used by the Secretary for equipment assistance. The allocation of such funds was to be provided on the basis of the relative number of low-income children under age 6 in each State, compared to the number of such children in all States. Reallocation of unused funds was required. States had to provide at least 25 percent matching for such funds, except in especially needy situations.

The most significant change affecting day care homes was the elimination of the individual income eligibility guidelines for participation. Subsequently, reimbursement for all meals served were to be made at a standardized rate regardless of the income of the children served. Additionally, startup and expansion funds were provided for family day care sponsors. Also reimbursements for sponsors' administrative costs were separated from reimbursements for food and food service, thereby increasing the overall reimbursement and providing greater incentive for sponsors to participate in the child care food program.

Another change made by the 1978 law required the Secretary to conduct a study of administrative costs of the operation of programs and provide administrative payments based on these costs. The Secretary was also required to study licensing problems and food service operations, and to pay particular attention to the question of establishing maximum reimbursement rates for food service costs or different reimbursement rates for self-prepared and vended meals. The law also required that the State plan for child nutrition operations include child care food program information on the number of institutions and family or group day care homes. This information was to include: average daily attendance, status as licensed or approved by Federal, State, or local agencies, or receipt of title XX funds; outreach activities with a priority on institutions serving needy areas; and audit and monitoring plans. Up to 2 percent of the amount of funds provided to States in the second preceding fiscal year were also made available for conducting audits of programs.

The impact of the 1978 law is clearly visible in the recent growth in program participation. While the program experienced a modest increase in the number of participation centers, the number of homes participating in the CCFP has more than quadrupled since implementation of the changes on May 1, 1980. The following chart demonstrates the dramatic growth in the number of participating centers and homes since 1978:

INCREASE IN CCFP PARTICIPATION SINCE 1978—CHILD CARE CENTERS AND DAY CARE HOMES

Month	Number of operating day care facilities		Number of FDCH sponsors	Average daily attendance		
	Centers	FDCH's		Centers	FDCH's	Total
December 1978	16,200	11,900	420	560,900	47,300	608,200
June 1979	13,200	13,800	400	472,700	61,400	534,100
December 1979	16,400	17,300	420	604,300	69,000	673,300
June 1980	12,700	25,100	470	458,100	92,500	550,600
December 1980	16,600	37,000	(1)	628,500	140,000	768,500
January 1981	14,000	46,100	(1)	515,800	180,000	696,500
December 1981	17,000	50,600	(1)	657,000	213,400	870,400
June 1982	13,700	54,100	(1)	535,400	199,000	734,400
September 1982	15,800	54,800	(1)	638,000	203,000	841,000

[1] Data not collected.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Prior to the 1978 changes, the income eligibility criteria, combined with the level of reimbursement for paid meals and the lack of a separate reimbursement for the sponsors' administrative costs, made it uneconomical for sponsors to administer the program for homes serving middle-income children. Quite simply, a day care home serving middle-income children may not have generated enough reimbursements from CCFP to cover the sponsor's administrative costs, much less provide for sufficient reimbursement to the day care home provider to warrant participation in the program. As a result, sponsors tended not to actively recruit homes serving primarily middle-income children.

The effect of the 1978 amendments may have been seen from preliminary findings that 63 percent of all children in day care homes are now from families with incomes above 185 percent of poverty.

Reconciliation Acts of 1980 and 1981

In 1980, Congress enacted the Omnibus Reconciliation Act of 1980, Public Law 96-499, which included changes in the child care food program. This law reduced the Federal subsidy for child care food supplements, that is, snacks, by 3 cents; substituted an annual July 1 inflation adjustment for the earlier semiannual adjustment of reimbursement rates for breakfasts, lunches, and suppers; lowered the Federal authorization for child care food equipment assistance from $6 million to $4 million and expanded participation in the program by allowing for-profit child care sponsors to participate if they received funds under title XX of the Social Security Act; previously no for-profit sponsors had been eligible to participate.

In 1981, Congress enacted the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, which included changes in the child care food program that were estimated to save approximately $114 million in fiscal year 1982, reducing the total cost to $298 million. Actual fiscal year 1982 costs were $310 million.

This new law made a number of substantive changes in the child care food program. First, the allowance for a three-tier system of reimbursement for meals served in child care centers was eliminated. Under the new law, the family income of the individual child in the child care center receiving a meal or snack determines the amount of the Federal reimbursement provided. The eligibility criteria for free, reduced price, and paid meals is the same as that set for free, reduced price, and paid school lunches. While the reimbursement system for day care homes remained essentially the same as under previous law—that is, no income requirement—a provision was added prohibiting reimbursements for meals or snacks served to children of a family day care provider if the provider's family income exceeds 185 percent of the OMB poverty level.

The 1981 act also mandated an adjustment in the maximum allowable levels for administrative expenses to sponsoring organizations of day care homes in order to achieve a 10-percent reduction in the total amount of reimbursement provided to institutions for such administrative expenses.

A limit on the number of meals that may be federally reimbursed was also enacted with the limit set at two meals and one snack per day per child.

This limit applies to child care centers as well as family day care homes. Prior to this change, reimbursements were allowed for up to three meals and two snacks.

The new law also lowered the Federal reimbursements provided for breakfasts, lunches, suppers, and snacks in both child care centers and family day care homes.

In addition, the new law eliminated from sponsorship any for-profit sponsor who received title XX social services compensation for less than 25 percent of the children enrolled. The previous year had opened up eligibility for all for-profits. Finally, the 1-year suspension of the January 1 semiannual inflation adjustments of reimbursement rates enacted under the 1980 Reconciliation Act was made permanent. Thus, rates are to be adjusted annually each July 1, instead of semiannually each January 1 and July 1.

In fiscal year 1982, the USDA estimated that approximately 871,000 children would participate in the program on an average day, with approximately 23 percent of these children participating through family day care homes. While this is an increase in the number of children participating—that is, from 778,000 in fiscal year 1981—the effect of lowered meal and snack subsidies and the change from a tier system to individual income eligibility determinations in day care centers was expected to reduce Federal cash and commodity support for this program from approximately $318 million in fiscal year 1981 to $298 million in 1982. Actual fiscal year 1982 costs were $310 million according to preliminary figures from the Department of Agriculture.

Summer Food Service Program

The summer food service program—often referred to as the summer feeding or summer food program—operates during the months of May through September to provide a meal and a snack to children age 18 and under in certain areas of the United States. It also operates in Puerto Rico, the Virgin Islands, and Guam.

Organizations responsible for the operation of the program are called sponsors. Sponsorship is limited to public and private nonprofit school food authorities—usually school districts—local municipal or county governments, and public and private nonprofit residential summer camps.

The following chart outlines the number and percentage of each type of sponsor:

DISTRIBUTION OF SPONSOR SITES AND MEALS SERVED IN THE SUMMER FOOD SERVICE PROGRAM, SUMMER 1982[1]

Type of sponsor	Percent of sites	Percent of meals served
Schools	32	41
Residential camps	41	14
Government	27	45

[1] Preliminary data from the report on the summer program 1982, Food and Nutrition Service, U.S. Department of Agriculture.

The program cost approximately $89 million in fiscal year 1982. Changes made in the summer food service program in the Omnibus Budget Reconciliation Act of 1981 were estimated by the Congressional Budget Office [CBO] to save $85 million from an anticipated fiscal year 1982 cost of $142 million, leaving an annual cost of $57 million. However, all of those savings did not materialize during the summer of 1982. This occurred in part because sites that had been run by sponsors eliminated by the provisions of the 1981 act were transferred to eligible sponsoring organizations. Approximately 68.7 million meals—and snacks—were served under the program during the summer months of 1982.

The following chart outlines the participation and cost levels of the program since 1969:

SUMMER FOOD SERVICE PROGRAM, 1969–82

[In thousands]

Fiscal year	Federal reimbursement [1]	Peak participation	Total meals served
1969	$309	99	2,164
1970	1,753	227	8,164
1971	8,112	569	28,956
1972	21,817	1,080	73,454
1973	26,547	1,437	65,440

SUMMER FOOD SERVICE PROGRAM, 1969–82—Continued

[In thousands]

Fiscal year	Federal reimbursement [1]	Peak participation	Total meals served
1974	33,532	1,403	63,622
1975	50,230	1,785	84,298
1976	73,379	2,453	104,848
Transition quarter	144,623	3,455	197,956
1977	129,649	2,791	170,419
1978	100,266	2,333	120,324
1979	112,509	2,126	121,758
1980	113,194	1,922	108,189
1981	105,089	1,926	90,281
1982	87,426	1,418	68,740

[1] Not including commodities.

Source: Food and Nutrition Service, Sept. 30, U.S. Department of Agriculture.

The summer food service program may operate only in areas in which poor economic conditions exist—which are defined by current law to be any area in which one-half or more of the children are eligible for free or reduced-price lunches, that is, have family incomes at or below 185 percent of poverty, or $17,210 for a family of four, effective July 1, 1982, until June 30, 1983. The new definition is the result of a change enacted under the Omnibus Budget Reconciliation Act of 1981. Under earlier law the definition of a poor economic area was one in which one-third of the children were eligible for free or reduced-price lunches.

There is no individual or family income eligibility standard for receipt of meals and snacks under this program. The geographical income limitation described above constitutes the only restriction on program participation.

Indeed, any child living in an approved area, regardless of family income, or attending a site if he lives outside the area, may receive a free meal. The Food and Nutrition Service [FNS] has not been able to provide any estimate of what percentage of the program recipients actually are needy. No income data is required to be reported by program operators, and FNS has conducted no surveys on the issue.

Because the 50 percent free or reduced-price lunch rule includes most public school districts, the program is essentially a national program, although some areas that may be eligible to operate the program do not choose to do so.

In addition to children up to age 18, mentally or physically handicapped individuals of all ages may participate.

Reimbursement rates established for the summer food service program are adjusted each January to reflect the increase in the Consumer Price Index Series for Food Away From Home for the 12-month period ending the preceding November 30.

Sponsors may claim actual costs, up to the maximum Federal reimbursement rates, and most are reimbursed at the maximum rate.

For the summer of 1982, the reimbursement rates were as follows:

MAXIMUM REIMBURSEMENT RATES IN THE SUMMER FOOD SERVICE PROGRAM, 1982

[Cents per meal]

	Operating reimbursement	Maximum administrative reimbursement		Total maximum reimbursement	
		Regular	Rural/self-preparation	Regular	Rural/self-preparation
Breakfast	74.75	5.50	7 00	80.25	81.75
Lunch/supper	134.25	10.50	12.75	144.75	147.00
Snack	35.25	2.75	3.50	38.00	38.75

Note.—Reimbursement for administrative expenses is higher for rural sponsors and those that prepare the meals themselves. Rates are fixed and do not vary by economic status of the child served, so long as the area is one in which at least one-half of the children are eligible for free or reduced-price school meals, using NSLP criteria. In the special case of summer residential and nonresidential camps, only those participants who qualify for free or reduced-price meals are reimbursed at the fixed-payment standard. Nonresidential camps are those offering a regularly scheduled, organized cultural or recreational program for children and serve four meals a day, while not maintaining sleeping quarters for the children.

These rates are established separately from reimbursement rates for meals served in the lunch and breakfast programs and meals and snacks served in the child care center component of the child care food program.

Meals are served free to all participants, and are limited to two meals a day, lunch and either breakfast or a snack. The Omnibus Reconciliation Act of 1980 reduced the number of reimbursable meals from four per day to the current two per day. Summer camps and migrant programs, however, may serve up to four meals a day if they have the administrative capacity and if meal services do not coincide or overlap—that is, meals and snacks must be spaced at least 3 hours apart. Within summer camps, Federal reimbursement is limited to meals served to children who would meet the income criteria for free or reduced-price lunches in the lunch program—at or below 185 percent of poverty.

Approximately 66 percent of all participants during 1982 attended sites that served more than one meal although they did not necessarily receive more than one meal. Of meals served during the summer of 1982, approximately 77 percent were lunches or suppers in the case of camps, 13 percent were breakfasts, and 10 percent were snacks.

The following table outlines the levels of participation among the States during fiscal year 1982:

SUMMER FOOD SERVICE

	Sites [1]	In thousands	
		Participation [1]	Total meals
Alabama	348	40.0	3,446
Alaska	0	.0	0
Arizona	101	9.6	419
Arkansas	29	2.4	122
California	1,396	157.0	7,366
Colorado	86	12.7	547
Connecticut	213	19.4	716
Delaware	193	7.9	337
District of Columbia	23	8.2	232
Florida	652	91.5	2,885
Georgia	395	34.0	1,501
Guam	0	.0	0
Hawaii	33	4.8	188
Idaho	7	.5	33

SUMMER FOOD SERVICE—Continued

	Sites [1]	In thousands	
		Participation [1]	Total meals
Illinois	593	56.9	2,192
Indiana	184	19.0	872
Iowa	45	2.8	203
Kansas	15	.4	35
Kentucky	240	17.2	725
Louisana	173	27.6	1,345
Maine	19	2.1	312
Maryland	448	29.2	1,007
Massachusetts	290	26.8	2,085
Michigan	972	76.2	3,620
Minnesota	260	11.7	591
Mississippi	86	20.9	1,138
Missouri	213	14.3	906
Montana	26	2.6	130
Nebraska	34	2.5	119
Nevada	31	1.4	78
New Hampshire	0	.0	9
New Jersey	601	60.8	3,663
New Mexico	131	9.8	454
New York	1,691	258.6	14,813
North Carolina	376	33.0	1,387
North Dakota	35	2.1	179
Ohio	350	29.9	1,469
Oklahoma	80	4.3	363
Oregon	73	4.2	219
Pennsylvania	1,018	54.6	4,513
Puerto Rico	545	116.7	1,109
Rhode Island	119	4.7	525
South Carolina	627	44.0	2,048
South Dakota	74	3.1	167
Tennessee	267	20.9	900
Texas	367	31.7	1,852
Utah	19	1.5	128
Vermont	7	.4	24
Virginia	181	16.6	684
Virgin Islands	56	4.7	309
Washington	95	5.1	223
West Virginia	233	6.4	423
Wisconsin	91	8.1	352
Wyoming	3	.2	13
American Samoa	0	.0	0
Northern Mariana Islands	0	.0	0
Trust Territory	0	.0	0
Total	14,144	1,421.0	68,976

[1] Peak month.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

While the program was originally envisioned as a summer substitute for the school lunch program, participation levels have not paralleled the lunch program.

As the above figures indicate, over 21 percent of all meals nationwide in 1982 were served in the State of New York; in 1981 over 18 percent of all meals nationally were served in New York City alone.

Since its inception in 1971, the program has been plagued with reports of waste and abuse. In April 1977, the General Accounting Office released a report on the problems and abuses in the summer

food service program. Findings from this study indicated that there were significant abuses that included adults consuming the food, food waste caused by inadequate storage and spoilage, deliberate dumping, poor quality food, offsite consumption by children, improper bidding procedures and indications of kickbacks and bribes, failure to meet meal pattern requirements and overpayments for unserved meals.

In an effort to address these problems, the National School Lunch Act and Child Nutrition Amendments of 1977, Public Law 95-166, included provisions designed to improve program administation and increase monitoring.

In March 1978, the GAO released another report. The report focused on program reforms and showed that some abuses found in the April 1977 report continued.

The semiannual report of the Office of Inspector General for the 6 months ending March 31, 1981, indicated that such abuses continued, despite even more recent attempts at reform.

As noted earlier, the Congress eliminated the eligibility for private nonprofit sponsors—other than schools and residential camps—in the 1981 reconciliation legislation effective for the summer of 1982. Private sponsors had been a key target of the criticism about the program's integrity.

More recently, the Office of Inspector General has reported another type of abuse which may exist within educational institutions that are still pemitted to participate in the program.

The OIG reported in its semiannual report for the 6 months ending March 31, 1982, that dual funding exists between the summer food service program and the Department of Education's upward bound program.

According to the OIG report:

> In 1981, 437 colleges and universities participated in the upward bound program. According to Department of Education officials, the policy was to reimburse those institutions for all costs associated with the program, including room and board. Some institutions, however, also participated in the summer food service program and received reimbursements for food costs.
>
> In New York State, we found that 7 of 19 institutions participating in upward bound also participated in the summer food service program. These institutions received 1981 Department of Agriculture reimbursements totaling $52,000 and failed to report funds from upward bound. Two reported on their initial applications that they received funds from the Department of Education, but FNS failed to use that information to determine if they were eligible to receive 1981 summer food service reimbursements of $13,672. Significantly, the controller for one of these institutions returned a check for $6,110, stating that the institution through upward bound received 100 percent funding for all costs including meals.

OIG recommended to FNS that it develop a policy and establish controls to prohibit upward bound program institutions from participating in the fiscal year 1982 summer food service program. During the summer of 1982 approximately 385 upward bound institutions continued to participate in the program. FNS has subsequently agreed to coordinate with the Department of Education to ensure against dual funding.

Another concern about the program has been its form of administration. Most FNS program are administered at the State level. However, in the past, several programs, including the summer food service program, have provided that in the event that a State did

not opt to operate the program, the Federal Government would do so through the regional offices of the Food and Nutrition Service.

The following chart demonstrates the number of States that have operated their own program and those that relied on the Federal Government to administer the summer food service program.

FEDERAL AND STATE ADMINISTRATION OF THE SUMMER FOOD SERVICE PROGRAM

Fiscal year	Federally administered	State administered
1982	17	34
1981	19	34
1980	21	32

Source: Food and Nutrition Service, U.S. Department of Agriculture

Congress included legislation in the Omnibus Budget Reconciliation Act of 1981 which limited Federal administration of this and other FNS programs. The new law stipulated that the Federal regional ofices would not assume the administration of any summer food service programs—or other child nutrition programs—which the Federal Government had not already been operating continously since October 1, 1980. In the past, States chose not to operate such programs for a variety of reasons. Some States have alternated State management with Federal management, depending on the wishes of the Governor of individual States. Approximately five States do not administer the program because of State constitutional restrictions on dealing with private entities, including the nonprofit organizations that are often the sponsors of the summer food service program. According to the Food and Nutrition Service, the following 17 States do not plan to administer the summer food program during 1983: Arkansas, California, Georgia, Hawaii, Kansas, Michigan, Minnesota, Missouri, Nebraska, New York, North Dakota, Oregon, South Carolina, Tennessee, Virginia, Washington, and Wyoming.

LEGISLATIVE HISTORY

Public Law 90-302, enacted May 8, 1968, established the special food service program for children [SFSPFC], a 3-year pilot program that was the forerunner of both the child care food program [CCFP] and the summer food service program [SFSP].

Congress developed the summer feeding component of the SFSPFC in order to provide Federal grants for meals served to needy children during the summer months when school was not in session. The program was to be geared to school age children who were participating in summer programs in areas where there was a high concentration of working mothers and where poor economic conditions existed. Institutions eligible to participate included city government organizations, community action agencies, churches, day camps, and institutions providing day care programs for the handicapped.

In September 1972 and May 1975, Congress reaffirmed its support of the program by extending the special food service program for children until the end of September 1975 under Public Laws 92-433 and 94-20, respectively. Food service programs for children

were further expanded in 1975 when Congress separated the child care and summer feeding components of the SFSPFC and provided each with individual legislative authorization. Public Law 94-105, enacted in November 1975, mandated a number of significant program changes. Summer food service program eligibility was extended to include residential summer camps. Institutions and residential summer camps had to conduct a regularly scheduled program for children at site locations where organized recreational activities or food services were provided. These institutions and camps had to provide a service in areas where at least one-third of the children qualified for free or reduced price school meals. They also had to acquire their meal service, whenever feasible, through existing school food service facilities. However, they no longer had to serve areas with a high concentration of working mothers in order to qualify for the program. Publishing deadlines for USDA regulations and guidance handbooks were adjusted to give State agencies and sponsors sufficient time for preprogram planning and training. State administrative funding was altered significantly to allow State agencies to increase their staffs administering the program. For sponsoring organizations, startup payments were provided to defray the costs of program planning and organizing, and advance payments were provided to improve cash flow.

Public Law 94-105, and the regulations which implemented it, served to promote significant program growth. It was discovered, however, that some provisions—among them the requirement that any eligible service institution shall be permitted to participate in the program upon request and the requirement that institutions could not be prohibited from serving all the different meal types unless the service period of the different meals coincided or overlapped—led to abuse and administrative problems in efficiently operating the program.

In addition, problems were encountered at the State level as personnel attempted to carry out their new responsibilities. Bidding and contracting problems, and alleged collusion between sponsors and vendors surfaced.

Public Law 95-166, enacted in November 1977, addressed the problems discussed above. Major changes mandated by the law included:

(1) Sponsors were required to demonstrate that they had adequate administrative and financial responsibility to manage an effective food service, and that they had not been seriously deficient in operating under the program in the past.

(2) Sponsors had to offer a year-round service to the community, rather than only partial year service, such as recreational activities or food services for children, in order to participate. Exceptions to this year-round service requirement were provided for those institutions which the State agency determined to have met the other eligibility criteria and whose exclusion from the program would result in an area in which poor economic conditions exist not being served or in a significant number of needy children not having access to the summer food service program.

(3) States were given a priority system for approving sponsors in cases of overlapping sites.

(4) Residential camps were allowed to claim only meals served to children qualifying for free and reduced-price meals, rather than all children.

(5) Sponsors were required to submit a complete budget for administrative costs to the State agency for approval.

(6) The release of advance funds to sponsors was restricted and limited.

(7) A new formula was provided for State administrative costs.

(8) USDA was required to develop State staffing standards and effective dates, to ensure sufficient administrative staff and time for planning.

(9) Food service management companies had to be registered by the States, which could deny this registration if a company lacked the administrative and financial capability to perform or had been seriously deficient in the past.

(10) Penalties were specified for fraud.

(11) Publishing deadlines for USDA regulations and guidance handbooks were adjusted to allow States more time for preprogram planning and training.

Public Law 95-627, enacted in November 1978, dealt primarily with the child care food program, though issues concerning the summer program were addressed. The formula for determining State administrative expense funding was revised to increase the federally reimbursed amount that States could spend to administer the program. And, program eligibility was extended to persons over 18 years of age who are determined by a State or local educational agency to be mentally or physically handicapped and who participate in a public or nonprofit private school program established for the mentally or physically handicapped.

No further changes were made in the authorizing legislation for the summer program until the enactment of the Omnibus Budget Reconciliation Act of 1980, Public Law 96-499. However, language was included in the fiscal year 1980 and fiscal year 1981 agriculture appropriations acts setting some limitations on program sponsors. For example, agricultural appropriations for fiscal year 1980, Public Law 96-108, included language which placed limitations on the eligibility for some private nonprofit institutions which sponsored large programs and purchased meals from food service management companies. For fiscal year 1980, the only large, private vended sponsors which retained their eligibility for program sponsorship were those located in areas with no public sponsors and sponsors which prepared their own meals or obtained them through a public facility. Private schools, migrant farmworker organizations, or smaller private sponsors were eligible to administer sites serving needy children. Regulations implementing Public Law 96-108 emphasized the responsibility of State agencies to locate high priority sponsors to administer the program for sites in areas where poor economic conditions existed. These changes were intended to reduce mismanagement, waste, and abuse in the program by more thoroughly screening applicant sponsors of large, vended programs and to intensify the effort to locate the most capable sponsors to administer sites.

In 1980, Congress passed the Omnibus Reconciliation Act of 1980, Public Law 96-499, which amended the National School Lunch Act and limited summer meal service to lunch and either breakfast or a snack. The act also authorized the SFSP through fiscal year 1984.

Since the fiscal year 1981 Agriculture Appropriations Act included the same sponsor limitation language as the fiscal year 1980 Appropriations Act, the sponsor limitations were continued through fiscal year 1981.

On August 13, 1981, Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981, was enacted. This legislation permanently limited the types of organizations eligible to sponsor the SFSP by excluding private nonprofit sponsors other than schools and residential camps; changed the area income criteria for summer food operations from one-third to one-half of the children in the area eligible for free or reduced-price lunches; restricted the Department of Agriculture's direct administration of summer programs previously administered by State agencies; limited the period allowed for claims settlement; and prohibited sponsors of the summer food service program to participate in the special milk program.

Projected costs of the program are $99 million in fiscal year 1984, $105 million in fiscal year 1985, and $110 million in fiscal year 1986, according to the Congressional Budget Office.

Special Milk Program

The special milk program provides funds to offset the cost of milk served to children in public and private nonprofit schools, and eligible child care institutions that do not participate in another federally sponsored child nutrition program. The special milk program is available to all children in participating schools and institutions regardless of family income. However, the Federal reimbursement for milk served is provided at two rates: free and paid.

Schools and other institutions participating in the special milk program have the option of whether to offer the free milk portion of the program. A school may offer milk which will be reimbursed at the free and paid rates, based on income eligibility, or the school may opt to serve only paid milk.

In the latter case, schools may opt not to offer free milk because they wish to eliminate the attendant paperwork required to determine the income eligibility of students who would qualify for free milk. In a school offering free milk, the income eligibility standards for free milk are the same standard as those set for free lunches—that is, gross income at or below 130 percent of the income poverty guidelines established annually by the Office of Management and Budget. The Federal reimbursement for free milk participants is the actual cost of the milk which varies from one market area to another. In fiscal year 1982, the average reimbursement per one-half pint of free milk was 15 cents; schools were reimbursed from a low of 9 cents in Minnesota to a high of 22 cents in New Jersey per half-pint.

All other milk served to children in the program—that is, those not receiving free milk—is reimbursed at a paid rate. The milk purchased by these children is subsidized by the Federal Government at a minimum rate per half-pint of milk which is adjusted annually according to changes in the producer price index for fresh processed milk. The rate for school year 1981–82 was 9 cents per half-pint of milk, and is 9.25 cents for school year 1982–83.

The following tables outline the number of children participating in the special milk program as well as the amount of milk served:

CHILDREN PARTICIPATING IN THE SPECIAL MILK PROGRAM [1]

[Numbers in millions]

Fiscal year	Total number of children in the special milk program	Number of children who receive free milk	Percentage of total	Number of children who purchased milk	Percentage of total
1982	1.4	0.1	7.0	1.3	92.8
1981	9.3	1.3	13.9	8.1	86.8
1980	10.9	1.3	11.9	9.6	88.1

[1] Estimated, assuming ½ pint per day per child.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

MILK SERVED IN THE SPECIAL MILK PROGRAM

[Number in millions]

Fiscal year	Number of ½ pints served			Percent of total free	Percent of total paid
	Total	Free	Paid		
1982 [1]	227	13	214	5.7	94.3
1981	1,542	210	1,332	13.6	86.4
1980	1,796	220	1,576	12.2	87.8

[1] The Omnibus Budget Reconciliation Act of 1981 eliminated participation in the special milk program for schools that participated in other FNS meal service programs.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

The special milk program is currently administered through participating schools and child care institutions. Those institutions eligible to participate in the program are: public and private nonprofit elementary and secondary schools, child care centers, settlement houses, summer camps, and similar nonprofit institutions devoted to the care and training of children which do not participate in a meal service program authorized by the National School Lunch Act or the Child Nutrition Act of 1966. As with all FNS programs, private schools with tuitions of $1,500 or more may not participate in the program.

INSTITUTIONS PARTICIPATING IN THE SPECIAL MILK PROGRAM

	Total numbers of institutions participating	Nonprofit schools	Summer camps	Nonprofit nonresidential child care institutions	Schools as percentage of participants
1982	9,968	6,595	2,350	1,023	66.2
1981	88,680	84,443	3,190	1,057	95.2
1980	89,062	84,638	3,368	1,056	95.0
1978	89,071	85,571	2,412	1,088	96.1

Source: Food and Nutrition Service, U.S. Department of Agriculture.

LEGISLATIVE HISTORY

The special milk program was established in 1954 when Congress authorized funds from the Commodity Credit Corporation to be used to increase fluid milk consumption for children in nonprofit schools.

At the time this legislation, Public Law 83-690, was enacted, the Commodity Credit Corporation had been purchasing large amounts of dairy products and storing them in order to boost sagging dairy prices. This legislation was intended to support milk prices and at the same time to encourage schoolchildren to drink milk, rather than converting the milk to a dry product and storing it in Government warehouses.

Original CCC funding for the program was set at $50 million per year for fiscal years 1955 and 1956. Participants in the program were children in nonprofit elementary and secondary schools.

In 1956, the program was extended, and authorization for CCC funds for the program was increased to $75 million per year (Public Law 84-465). Eligibility for participation was expanded to include children in nonprofit child care centers, settlement houses, summer

camps, and similar nonprofit institutions devoted to the care and training of underprivileged children on a public welfare or charitable basis. This was the first mention of need as a criteria for participation in the the program. Yet, this criteria was reversed by Congress and reference to a needs basis for participation was deleted by amendments made later in 1956 (Public Law 84-752). With this change, Congress established the milk program as service to all children, without reference to family income. The funding of the program was authorized through the Commodity Credit Corporation.

In 1958, the milk program was extended for an additional 3 years at the same authorization level (Public Law 85-478), until June 30, 1961. Though funding was still through the Commodity Credit Corporation, specific language was incorporated at this time stating that amounts spent under the program were not to be considered as expenditures for price supports.

In 1960, Congress appropriated funds to reimburse the Commodity Credit Corporation for the special milk program. That legislation, Public Law 86-446, extended the program through fiscal year 1961, and raised the annual funding level to $95 million.

In 1961, the program was extended through fiscal year 1962, and the authorization level was increased to $105 million (Public Law 87-67). The Agriculture Act of 1961 later in the same year extended the program through fiscal year 1966. That legislation, Public Law 87-128, also established direct funding for the special milk program (rather than through CCC or by reimbursing CCC) and established annual authorization levels necessary to carry out the program.

Incorporation into the Child Nutrition Act of 1966 was the next major change for the special milk program (Public Law 89-642). Section 3 of the Child Nutrition Act of 1966 required that the Secretary administer the program as it had been in the past. Eligibility for participation remained the same. Authorization for the program grew gradually from $110 million for fiscal year 1967 to $115 million for fiscal year 1968 and $120 million for each of fiscal years 1969 and 1970.

An attempt to halt the growth of the program was made in 1967. The Johnson administration proposed that Federal reimbursement for milk be limited to schools with no food service program and to schools with high concentrations of low-income children. This proposal would have reduced funding of the program by 80 percent. Congress did not adopt the proposal.

In 1970 and 1971, the Nixon administration proposed that the special milk program be terminated. The proposal asserted that the program was no longer necessary because of the growth of the national school lunch program and the availability of the school breakfast program and what are now the child care food and summer food service programs, all of which included a half-pint of milk as part of the meal plan. Congress rejected the administration's attempts to terminate the program, and instead enacted a permanent authorization for the program at $120 million (Public Law 91-295). The program was also expanded to include Guam.

In 1974, the Nixon administration administratively determined and implemented action that eliminated the program in schools al-

ready serving milk as part of another federally funded program. To challenge this administrative action, Congress amended section 3 of the Child Nutrition Act of 1966 to mandate that any nonprofit school or child care institution could participate in the special milk program on request (Public Law 93-150). This legislation also established that children eligible for free lunch under the national school lunch programs were automatically eligible for free milk under the special milk program any time during the day when milk was offered under the milk program.

In that same year, Congress again amended the Child Nutrition Act, removing the authorization ceiling and establishing a minimum rate of reimbursement to schools of 5 cents per one half-pint of milk provided (Public Law 93-347). This amount was to be adjusted annually to reflect price changes in the Food Away From Home Series in the Consumer Price Index for each half-pint of milk served. (NOTE.—The index which serves as the basis for adjustment was later changed to the Producer Price Index for Fresh Processed Milk, Public Law 95-627, Nov. 10, 1978.)

In 1975, Public Law 94-105 further amended the Child Nutrition Act extending the program to the U.S. territories.

Before leaving office in January 1977, the Ford administration recommended a fiscal year 1978 budget that would limit the special milk program to schools that did not participate in other Federal feeding programs. The Ford administration also recommended a block-grant program for the several child feeding programs, including the special milk program. Congress did not accept these proposals, and the special milk program continued as before with $155 million in appropriations.

The Carter administration's initial budget proposal, for fiscal year 1978, reiterated the Ford proposal that would have continued the special milk program in only those schools and institutions that did not choose to participate in the Federal meal programs.

Another attempt was made in 1977 to address a problem which occurred when the program was simultaneously operated alongside the Federal meal programs. Children who had been receiving an additional half-pint of free milk under the milk program with their free lunch—which already included one half-pint of milk—could be publicly identified as needy, violating section 9 of the National School Lunch Act. Congress responded by legislating in Public Law 95-166 that free milk could be made available at times other than scheduled meal service—periods during which federally assisted meals were served.

The following year, in 1978, Public Law 95-627 further amended the Child Nutrition Act of 1966 to address the still nagging problem of public identification of needy children. Under this provision, free milk was only required to be served to eligible children at the option of the school and upon request by the child. This allowed children to refuse the additional serving of milk if they chose to do so. Alternatively, it allowed schools to decline to participate in the fee portion of the program and charge all students for milk with Federal reimbursement at the paid rate. In all other school meal service programs, a free component—for children from families with income at or below 130 percent of poverty—was, and is, mandated as part of the program.

The Carter administration once again recommended for both fiscal year 1979 and fiscal year 1980 that the special milk program be limited to schools not participating in other Federal programs, primarily the school lunch program—the same recommendation that had been made by the Ford administration. This proposal was not approved.

For fiscal year 1981, however, the Carter administration proposed a 5-cent flat-paid rate for milk served in schools with meal service programs, which was included in the Omnibus Reconciliation Act of 1980 (Public Law 96-499). Reimbursement for paid milk in schools without milk service continued to be adjusted annually to reflect changes in the price of milk. Reimbursement for all free milk served to low-income children continued to be based on actual cost. The 5-cent reimbursement for milk served to paying children in schools which did have a meal service program was not indexed. This change was estimated to save $56 million for fiscal year 1981. The program cost $118 million in fiscal year 1981 after the change was implemented.

The essence of the reform of the special milk program first attempted in 1967 was finally passed in 1981. The Reagan administration's budget request for fiscal year 1982 proposed that the special milk program be limited to schools and other child care institutions that do not participate in another meal service program authorized by the Child Nutrition Act of 1966 or the National School Lunch Act. This proposal was adopted by Congress in the Omnibus Budget Reconciliation Act of 1981. Although this proposal had been recommended by the Carter administration for fiscal years 1979 and 1980, it had not been included in the fiscal year 1982 Carter budget submitted in January prior to the new administration's inauguration.

For fiscal year 1983, the Reagan administration had proposed that all Federal subsidies for the program be discontinued, the same recommendation as made by the Nixon administration in 1970 and 1971.

Originally, the special milk program was intended to alleviate the increasing stockpiles of Government-purchased dairy products. Milk for the program was purchased directly from or with funds from the Commodity Credit Corporation.

The special milk program is no longer operated through the Commodity Credit Corporation. Milk for the program is purchased through the regular retail milk market, and is financed through direct appropriations.

In fiscal year 1980, milk served to children through the special milk program represented less than 2 percent of the total fluid milk consumption in the United States. With the reduction in the program in fiscal year 1982, that percentage of consumption has fallen to 0.2 percent of the total fluid milk consumption, down from a high of about 2.9 percent in 1966. The current special milk program has very little impact on milk consumption at the national level, and congressional intent for the program has moved away from its original purpose of reducing the quantities of stored dairy products to assuring that schoolchildren are provided access to federally subsidized milk.

Reform of the special milk program first attempted in 1967 was finally effected in 1981 by amendments to the Child Nutrition Act of 1966 enacted under the Omnibus Budget Reconciliation Act of 1981. Instead of serving special milk in addition to the milk served through Federal meal programs, Congress limited participation in the special milk program to schools and other eligible institutions that do not participate in any other meal program.

Based on current projections by the Congressional Budget Office it is anticipated that the program will cost $65 million during the next 3 fiscal years. The following chart outlines the annual anticipated cost of the program according to the Congressional Budget Office:

Projected costs of the special milk program

Fiscal year:	*Millions*
1983	$21.0
1984	21.2
1985	21.4
1986	23.6

15-642 O—83——5

Special Supplemental Food Program for Women, Infants, and Children

Two separate Federal programs provide food assistance to a similar target population of low-income pregnant and post partum women and their infants, and preschool age children. These programs are the special supplemental food program for women, infants, and children—often referred to as the WIC program—and the commodity supplemental food program.

The special supplemental food program for women, infants, and children [SSFP or WIC], is designed to provide supplemental food and nutrition education to low-income pregnant, post partum, and breastfeeding women, and their infants and children up to age 5 who are at special risk with respect to their physical and mental health resulting from inadequate nutrition or health care. The program is also designed to serve as an adjunct to good health care—during critical times of growth and development—to prevent the occurrence of health problems, and to improve the health status of participating individuals.

The program was established by Congress in 1972 as a new addition—section 17—to the Child Nutrition Act of 1966.

During fiscal year 1982, which ended September 30, 1982, an average of 2.2 million women, infants, and children participated monthly in the program at an estimated cost of $957.5 million.

Federal funds for the operation of the special supplemental food program are provided in the form of grants-in-aid to State health departments or comparable agencies and Indian tribes. In most other nutrition programs administered by the Food and Nutrition Service, funds are channeled through State educational agencies. However, in the SSFP program, typically both State and local administration is handled through health departments and local health agencies and clinics. Funds are distributed by the States to participating local agencies. Local agencies include county public health departments, community health agencies, municipal public health agencies, public or private nonprofit hospitals, community action agencies, and public welfare agencies. Such local agencies must provide ongoing health services for program participants before being eligible to receive SSFP funds from State agencies. At the end of fiscal year 1982, there were approximately 84 State or Indian agencies administering WIC programs through 7,037 clinics.

The local agencies are responsible for certifying that applicants for SSFP are eligible for benefits. The local agencies also distribute the benefits—most often vouchers redeemable for specified items at retail grocery stores—as well as provide nutrition education and appropriate health care.

Before a State may participate in SSFP, it must submit a program plan to USDA for approval. The plan must detail how the State will operate the program and include information on names

and addresses of those local agencies that plan to participate, a copy of the application form which local agencies will use to determine eligibility, verification methods for certification, plans for detecting dual participation in the commodity supplemental food program and SSFP, and plans for program outreach.

A description of the commodity supplemental food program follows this discussion of the special supplemental food program. Both programs may operate in the same areas, but simultaneous participation in both programs by individuals is prohibited. The CSFP is a much smaller program, operating in 12 States; it is concentrated in 5 major urban areas. The SSFP operates in all 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.

A program plan must be submitted by participating agencies each year. Portions of the plan which have not changed from a previous year need not be resubmitted.

By law, the group of individuals targeted for benefits of SSFP are: pregnant women, breastfeeding women for up to 1 year post partum—after delivery—and non-breast-feeding women up to 6 months after delivery, infants—defined in the statute as up to age 1—and children up to age 5. Individuals within this group must meet all of three requirements: They must: first, be determined to be at nutritional risk; second, have a low income; and third, meet a residency requirement, if imposed by the State agency.

The Child Nutrition Act of 1966 defines nutritional risk as "(A) detrimental or abnormal nutritional conditions detectable by biochemical or anthropometric measurements, (B) other documented nutritionally related medical conditions, (C) dietary deficiencies that impair or endanger health, or (D) conditions that predispose persons to inadequate nutritional patterns or nutritionally related medical conditions, including, but not limited to, alcoholism and drug addiction."

The determination of whether a person is at nutritional risk must be made by a competent professional authority, such as physician, nutritionist, nurse, or other health official. Professionals making nutritional risk determinations at the local clinics are typically nutritionists or public health nurses. Federal guidelines available to professionals in making nutritional risk determinations are broad.

USDA provides regulations about how nutritional risk is to be measured. Such regulations require, at a minimum, that a professional measure an applicant's height—or length in the case of infants—and weight—known in medical terms as anthropemetric measurements—and administer a blood test for anemia or iron deficiency. Infants under age 6 months are exempted from the required anemia test.

The following table prepared by the General Accounting Office summarizes the broad parameters of Federal guidelines on nutritional need for women, infants, and children.

Pregnant, post-partum, and breast-feeding women	Infant or child
Anemia	Anemia.
Abnormal pattern of growth such as underweight or obesity	Abnormal pattern of growth such as underweight, obesity, or stunting; including for infants, a birth weight of 2,500 grams or less.

Pregnant, post partum, and breast-feeding women	Infant or child
Inadequate nutritional pattern (poor dietary habits)	Inadequate nutritional pattern.
High-risk pregnancy or a history of premature births, miscarriages, or high-risk pregnancies.	Status as infant (up to 6 months of age) of a mother who was a WIC participant during pregnancy.

Source: The special supplemental food program for women, infants, and children (WIC)—How Can It Work Better? General Accounting Office, Feb. 27, 1979.

Based on USDA regulations, each State sets its own criteria for eligibility using the required data, plus any other factors the State may allow for making the determination. Typical criteria include a condition of being anemic or underweight, or having a history of high risk pregnancies. New York includes emotional and psychological factors affecting a child's food intake in determining nutritional risk. In assessing an applicant's nutritional needs, medical records and the individual's eating habits are often reviewed for nutrition-related medical problems.

The General Accounting Office reported in 1979 that State-by-State variations existed in determining "nutritional risk," and thus in determining eligibility for participation, "The Special Supplemental Food Program for Women, Infants, and Children—How Can It Work Better?", February 27, 1979. GAO concluded that variations in certification criteria could result in eligibility becoming more a condition of geographic residence rather than actual health conditions because an ineligible applicant in one State could have a more severe health condition than an eligible applicant in another State. No national definition of nutritional risk has been implemented.

Subject to Federal income limits, income eligibility standards for SSFP participation are established by State and local agencies which administer the program. Under Federal law, the maximum income eligibility criteria an agency may set is 185 percent of the poverty guidelines as established by the Office of Management and Budget. Currently, for a family of four, that income amount is $17,210. This income limitation corresponds to the school lunch, school breakfast, and child care food program—centers—limits for reduced-price meal eligibility. Additionally, agencies may not set income eligibility lower than 100 percent of the poverty guidelines. In order to be eligible, the applicant must meet the other nonincome related requirements of the program as well. The most common State income eligibility standard is the federally allowed maximum of 185 percent of poverty, although some States have lower limits. The following States are among those with lower income standards for fiscal year 1983:

Percent of poverty	States
175	Tennessee, Montana, Missouri.
172	Maine.
155	California.
150	Arkansas, Iowa, Alabama, Mississippi, South Dakota.
150 (minus $960 deduction)	Washington.
142	West Virginia.
100	Puerto Rico.

USDA does not require States to submit data indicating family income for participants of the program. However, North Carolina completed an independent income survey in March 1982 indicating that 64.47 percent of participants were from families with incomes at or below 100 percent of poverty. Approximately 13 percent of North Carolina participants had incomes 150 percent of poverty or greater.

USDA regulations have created a priority system for States to use in approving new applications when a vacancy occurs in a program which has reached its maximum participation.

First priority individuals are pregnant women, breastfeeding women, and infants determined to be at nutritional risk by a blood test or some other documented medical condition. The second priority is infants, up to 6 months, whose mothers participated in the SSFP during pregnancy or whose mothers did not participate during pregnancy, but were at a nutritional risk. Third, children at nutritional risk as demonstrated by a blood test or other documented medical condition. Fourth, pregnant or breastfeeding women and infants at nutritional risk because of an inadequate dietary pattern. This determination must be made by a person qualified to make such an assessment, such as a doctor or a nurse. The fifth priority is children with an inadequate dietary pattern. Finally, the sixth priority is nonbreastfeeding post partum women at nutritional risk.

No national data is collected on the distribution of participants among the six priority categories.

As a vacancy occurs in a particular area, the local agency reviews applications according to this priority system.

Foods available through the program must contain nutrients determined by nutritional research to be lacking in the diets of the program's participants. Specific foods targeted for consumption are milk, cheese, eggs, infant formula, cereals, beans, peanut butter, and fruit or vegetable juices.

USDA issues regulations that establish food packages reflecting the different health and nutritional needs of the individual participants. These packages provide supplemental foods to assist participants in obtaining an adequate diet. The foods do not provide a complete diet; however, they provide good sources of nutrients lacking in the diets of the target population. Currently, there are packages to provide food for six categories of participants: (1) Infants from birth through 3 months; (2) infants from 4 through 12 months; (3) women and children with special dietary needs; (4) children 1–5 years of age; (5) pregnant and breastfeeding women; and (6) nonbreastfeeding post partum women. The local SSFP health professional is responsible for tailoring the food packages for individual participants' need by varying the precise types and quantities of food provided. The following chart indicates the food components of each of the six packages.

FOOD PACKAGES

Food component	Substitute food component	Amount per month
Food package I—Infants 0 through 3 months:		
Formula: Concentrated liquid formula	Equivalent portions of powdered formula or ready-to-feed formula.	6.3 gallons.
Food package II—Infants 4 through 12 months:		
Formula: Concentrated liquid formula	Equivalent portions of powdered formula	6.3 gallons.
Ready-to-feed formula infant cereal		24 oz, dry.
Juice: Infant juice	Equivalent portions of frozen concentrated juice or single strength juice.	1.0 gallons.
Food package III—Children/women with special dietary needs:		
Formula: Concentrated liquid formula	Equivalent portions of powdered formula or ready-to feed-formula.	7.2 gallons.
Cereal (hot or cold)		36 oz, dry.
Juice: Frozen concentrated or single strength.		2.25 gallons.
Food package IV—Children 1 to 5 years:		
Milk: Fluid whole, skim or lowfat milk	Equivalent portions of cultured buttermilk, evaporated whole or skim milk, dry whole milk, nonfat ot lowfat dry milk, or cheese.	6 gallons.
Eggs: Fresh eggs	Equivalent portions of dried egg mix	2 or 2½ dozen.
Cereal (hot or cold)		2.25 lbs, dry.
Juice: Frozen concentrated	Equivalent portions of single strength	4.5 gallons.
Legumes: Dry beans or peas	Peanut butter	1 or 1.125 lbs.
Food package V—Pregnant and breastfeeding women:		
Milk: Fluid whole, skim or lowfat milk	Equivalent portions of cultured buttermilk, evaporated whole or skim milk, dry whole milk, nonfat or lowfat dry milk or cheese.	7 gallons.
Eggs: Fresh eggs	Equivalent portions of dried egg mix	2 or 2½ dozen.
Cereal (hot or cold)		2.25 lbs., dry.
Juice: Frozen concentrated	Equivalent portions of single strength	4.45 gallons.
Legumes: Dry beans or peas	Peanut butter	1 or 1.125 lbs.
Food package VI—Nonbreastfeeding postpartum women:		
Milk: Fluid whole, skim, or lowfat milk	Equivalent portions of cultured buttermilk, evaporated whole or skim milk, dry whole milk, nonfat or lowfat dry milk, or cheese.	6 gallons.
Eggs: Fresh eggs	Equivalent portions of dried egg mix	2 or 2½ dozen.
Cereal (hot or cold)		2.25 lbs, dry.
Juice: Frozen concentrated	Equivalent portions of single strength	3 gallons.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

USDA regulations establish a minimum iron content for cereals eligible to be purchased at 45 percent of the U.S. recommended daily allowances for iron. Regulations also limit the amount of sugar allowed in cereals purchased under the program to 6 grams per ounce of dry cereal.

State and local agencies use three general types of delivery systems for operation of the program. Approximately 88 percent of participants purchase specified food items from retail stores with vouchers or checks, others receive food by home delivery, approximately 9 percent, or they may pick up the food from a distribution center, approximately 3 percent.

The method of providing food used most widely by States is the voucher, or coupon, system. These vouchers are presented, much like food stamps, at retail food stores, but unlike food stamps may be used only for the specified foods previously listed.

A September 1982 report by the Office of Inspector General recommends that the direct purchase of infant formula from manufacturers and home delivery to program participants would help to lower infant formula costs for SSFP.

OIG estimated that $206 million of the $738 million food budget, or 28 percent of the total food budget for fiscal year 1982, would be spent for infant formula, the largest single food item purchased under the program. OIG indicated that about 95 percent of all infant formula purchases are from retail stores with participants using the voucher system. The remaining 5 percent of infant formula is provided to recipients through home delivery in Maryland and Vermont and bulk delivery in Mississippi.

OIG found that the costs of formula purchased by recipients at the local retail level with food vouchers is between 95 cents and $1.10 per 13-ounce can. However, direct purchase of formula for use in the CSFP by the Department of Agriculture cost about 42 cents per can in July 1982. The savings from direct purchase by USDA, according to the OIG, would be 53 to 68 cents per can compared to retail prices.

According to OIG:

> At a cost of 42 cents per can, annual savings of between $193 and $248 per infant are obtainable. Our best estimate of savings to the WIC program if a nationwide direct purchase and delivery system were implemented, is about $111 million annually; or, in terms of program expansion, we estimate that 355,000 additional WIC recipients, a 16-percent increase, could be added on an annual basis.

OIG recommended that, inasmuch as USDA and individual States have existing authority to make such direct purchases:

> FNS, in conjunction with States, immediately develop the necessary expertise and procedures to implement a nationwide direct purchase and distribution system for infant formula. "Direct Purchase and Distribution of Infant Formula under the Special Supplemental Food Programs for Women, Infants and Children (WIC)", September 30, 1982.

(Note: The Food and Nutrition Service has questioned a number of the findings of the OIG report, and is currently engaged in discussions with OIG on the subject. Among the points of discussion are whether: the direct delivery systems surveyed by the OIG are representative of the nation; it is feasible to have direct distribution in all locations especially rural areas; one distribution system for infant formula and another for all other food items is advisable or cost-efficient, and whether the per ounce savings calculated by the OIG could be obtained. FNS continues to permit States to establish direct distribution systems and work with States in setting up such systems.)

Amendments to the program in 1975 required that 20 percent of total funds appropriated annually for the special supplemental food program be made available for State and local administrative expenses. Administrative costs are defined by law to include, but are not limited to, all costs for certifying an applicant's eligibility for the program, food delivery costs, nutrition education, outreach for new applicants, and startup costs for new programs. In fiscal year 1982, approximately $193 million of appropriated funds out of total program costs of $957.5 million were spent for administration of the program.

The 20-percent figure represents a national amount set aside for administrative purposes. Individual States and agencies, primarily Indian tribes, receive varying amounts. The following table outlines administrative expenses relative to benefits issued in the State agencies:

Administrative grant to total grant

State agency	*Percent*
Northeast:	
Connecticut	19.95
Maine	23.06
Massachushetts	20.33
New Hampshire	23.84
New York	19.25
Rhode Island	27.68
Vermont	27.28
Indian Tew	67.82
P. Point	42.95
Penobscot	58.58
Seneca Nation	36.05
Subtotal	20.56
Mid-Atlantic:	
Delaware	24.35
Maryland	20.98
New Jersey	20.75
Pennsylvania	21.21
Puerto Rico	12.09
Virginia	18.70
Virgin Islands	23.81
West Virginia	21.85
District of Columbia	28.31
Subtotal	19.34
Southeast:	
Alabama	20.75
Florida	20.02
Georgia	18.82
Kentucky	19.92
Mississippi	24.25
North Carolina	18.86
South Carolina	19.01
Tennessee	21.28
Seminoles	38.65
Miccosuke	49.88
Choctaw M	27.18
E Cherokee	26.95
Subtotal	20.22
Southwest:	
Arkansas	19.81
Louisiana	20.95
New Mexico	21.44
Oklahoma	20.22
Texas	18.66
Acoma	23.96
Bn Pueblo	26.81
Isleta Pu	33.99
Santo Dom	34.20
S Sandoval	28.08
San Felipe	30.99
WCD	26.85
Choctaw	27.72
Cherokee	21.36
Chickasaw	26.87
Tonkawa	30.88

Administrative grant to total grant—Continued

State agency	*Percent*
Potawatom	26.38
Zuni	34.76
Subtotal	19.99
Midwest:	
Illinois	19.56
Indiana	18.73
Michigan	20.27
Minnesota	22.93
Ohio	21.94
Wisconsin	20.23
Subtotal	20.63
Mountain Plains:	
Colorado	22.46
Iowa	20.42
Kansas	21.96
Missouri	19.46
Montana	23.24
Nebraska	24.02
North Dakota	25.24
South Dakota	25.45
Utah	23.97
Shoshone Arapohoe	38.83
Ute Mountain	50.61
Winnebago	25.58
Cheyenne	24.30
Rosebud	21.44
St. Rock	24.05
Ft. Berth	22.04
Wyoming	23.87
Subtotal	21.99
Western:	
Alaska	31.99
Arizona	20.87
California	17.13
Hawaii	27.27
Idaho	23.44
Nevada	21.56
Oregon	22.72
Washington	21.83
Iten	26.30
Mannilao	37.03
Navajo Nation	16.44
Subtotal	19.01
National	20.15

PARTICIPATION AND COSTS

In fiscal year 1982, an average of 2.2 million women, infants, and children participated in the special supplemental food program. Approximately 21.8 percent of the participants were women, 28.5 were infants up to age 1, and the remaining 49.7 percent of the participants were children between the ages of 1 and 5 years; 1982 participation is up from 344,100 in fiscal year 1975, the first full year of the program's operation.

The following chart illustrates the growth of program participation from 1974 and 1982:

SSFP PROGRAM PARTICIPATION, 1974–82

Fiscal year	Average monthly participation	Women	Infants	Children	Percentage of children participating
1974	87,700	17,100	26,300	44,300	50
1975	344,100	55,000	103,100	186,000	54
1976	520,200	81,100	147,700	291,400	56
Transition quarter	623,900	108,400	153,200	362,300	58
1977	848,300	165,200	212,800	470,300	55
1978	1,180,100	319,700	308,700	632,400	53
1979	1,480,600	311,400	389,700	779,500	52
1980	1,985,100	398,000	512,200	984,900	49
1981	2,117,800	445,300	584,900	1,208,000	51
1982	2,187,700	447,400	622,700	1,087,700	50

Source: Food and Nutrition Service, U.S. Department of Agriculture

The special supplemental food program cost $957.5 million for fiscal year 1982. The following chart illustrates funding for the program from 1974–82:

SSFP PROGRAM FUNDING, 1974–82

Fiscal year	Program level (millions)	Average monthly cost per participant	
		Food package	Administrative
1974	$10.4	$15.68	$4.10
1975	89.3	18.58	3.04
1976	155.5	22.05	2.86
Transition quarter	48.4	22.40	3.48
1977	256.5	20.86	4.33
1978	385.7	22.43	4.81
1979	527.3	24.19	5.49
1980	712.3	25.44	5.46
1981	887.6	27.86	7.14
1982	958.7	29.22	7.25

Source: Food and Nutrition Service, U.S. Department of Agriculture.

The following table outlines participation and costs for States during fiscal year 1982:

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)—FISCAL YEAR 1982

[Dollars in thousands]

	Number of clinics providing benefits	Women	Infants	Children	Total	Program costs
Alabama	109	7,471	17,532	24,857	49,860	$19,726
Alaska	16	532	484	944	1,960	1,441
Arizona	197	10,094	9,641	14,184	33,919	17,105
Arkansas	95	4,719	6,744	9,595	21,058	10,965
California	461	56,067	52,022	55,207	163,296	80,669
Colorado	70	5,579	4,324	12,059	21,962	9,614
Connecticut	89	5,903	8,032	24,627	38,562	16,943
Delaware	21	1,044	1,363	2,343	4,750	1,995
District of Columbia	14	2,137	2,080	2,680	6,897	2,744
Florida	262	15,766	22,774	29,308	67,848	29,707
Georgia	249	14,058	20,612	30,617	65,287	30,102
Hawaii	108	922	923	1,655	3,500	2,333
Idaho	56	2,047	2,390	5,193	9,630	4,767

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)—FISCAL YEAR 1982—Continued

[Dollars in thousands]

	Number of clinics providing benefits	Women	Infants	Children	Total	Program costs
Illinois	164	15,979	27,016	31,239	74,234	34,333
Indiana	60	7,959	9,680	19,379	37,018	14,762
Iowa	248	5,371	5,572	17,160	28,103	10,011
Kansas	76	3,122	3,904	9,511	16,537	7,194
Kentucky	182	8,901	14,143	22,573	45,617	22,522
Louisiana	108	14,438	17,521	30,067	62,026	29,282
Maine	84	2,776	3,312	7,433	13,521	5,422
Maryland	269	8,699	12,226	21,718	42,643	15,175
Massachusetts	81	7,612	10,153	16,894	34,659	15,213
Michigan	236	14,821	19,805	36,918	71,544	32,969
Minnesota	240	6,780	7,935	24,079	38,794	16,022
Mississippi	133	9,379	21,085	39,181	69,645	22,885
Missouri	121	13,172	14,516	21,980	49,668	21,612
Montana	67	2,182	2,908	5,866	10,956	4,475
Nebraska	127	2,367	3,765	5,973	12,103	4,853
Nevada	39	2,522	2,650	6,097	11,269	4,903
New Hampshire	85	1,927	2,179	6,261	10,367	4,515
New Jersey	194	8,720	11,223	26,833	46,776	19,604
New Mexico	86	5,124	4,902	4,350	14,376	7,213
New York	272	38,379	51,889	93,787	184,055	81,307
North Carolina	199	12,681	23,933	44,555	81,169	36,177
North Dakota	52	1,897	2,293	6,672	10,867	4,568
Ohio	266	18,232	25,567	48,111	91,910	36,848
Oklahoma	129	9,653	11,757	17,524	38,934	18,727
Oregon	117	8,792	5,983	8,103	22,878	10,624
Pennsylvania	337	20,056	25,021	54,139	99,216	34,754
Puerto Rico	97	6,228	9,820	32,225	48,173	24,108
Rhode Island	21	2,342	2,576	6,894	11,812	5,152
South Carolina	157	10,905	17,092	28,891	56,888	25,583
South Dakota	85	1,955	1,954	4,968	8,877	4,084
Tennessee	127	9,309	15,909	20,048	45,266	25,166
Texas	198	28,698	38,161	57,566	124,425	54,533
Utah	38	3,257	3,380	5,860	12,497	5,637
Vermont	76	3,073	2,972	9,544	15,589	6,363
Virginia	171	11,254	14,113	27,100	52,467	21,165
Virgin Islands	12	1,207	1,258	2,138	4,603	2,213
Washington	82	7,738	7,589	12,809	28,136	12,543
West Virginia	55	3,458	4,445	13,120	21,023	9,451
Wisconsin	174	8,836	13,072	23,792	45,700	19,229
Wyoming	25	1,331	1,120	3,185	5,636	2,799
Adjustments						−58,945
Total	7,037	[1] 477,471	[1] 623,225	[1] 1,087,812	2,188,508	903,162

[1] Average monthly

LEGISLATIVE HISTORY

The special supplemental food program had its beginnings in what is now the commodity supplemental food program which provides direct distribution of Government-purchased commodities to low income, nutritionally at risk pregnant women, new mothers, and infants and children age 5 and under. USDA announced plans to initiate a special program for women, infants, and children and Congress appropriated funds for these purchases beginning in 1968. This program was the supplemental food program, later known as the commodity supplemental food program. The commodity supple-

mental food program continues to operate, although its participation has dropped since the initiation of the special supplemental food program in fiscal year 1974.

Amendments to the Child Nutrition Act of 1966, in 1972, Public Law 92-433, authorized the special supplemental food program for a 2-year period. Federal funds were made available to State health departments and similar agencies. The State agencies then distributed the funds to local health clinics or other facilities for implementation of the program.

The first authorization levels for the program were set at $20 million each for fiscal years 1973 and 1974. Funding for the program was provided from funds appropriated under section 32 of the act of August 24, 1935. Such funds are available for agricultural product surplus removal, encouragement of domestic food consumption, and assistance in the food-related needs of low-income persons. Up to 10 percent of the total Federal funds were available for administrative expenses.

Administration of the special supplemental food program was placed with the Food and Nutrition Service [FNS] of USDA. FNS began designing the program in March of 1973. The first regulations for the program were issued 3 months later in July 1973.

While FNS was studying possibilities for the future operation of the program, a class action suit, *Dotson* v. *Butz*, C.A. No. 1210-73 (D.D.C. August 3, 1973), was filed against USDA demanding that appropriated funds for the special supplemental food program be spent. In August 1973, the U.S. District Court for the District of Columbia ordered USDA to begin processing and approving applications for the special supplemental food program until the authorized $40 million had been spent or until the end of fiscal year 1974, whichever came first. Responding to the court order, USDA approved 216 projects within a 4-month period.

Legislation was passed in November 1973, Public Law 93-150, extending the program through fiscal year 1975. The authorization level was set at $40 million for fiscal year 1975, the first full year of operations, and subsequently raised to $100 million in June 1974 by Public Law 93-326.

In May 1975, the program was temporarily extended through September 30, 1975, Public Law 94-28, to correspond to the Government-wide changing of the Federal fiscal year period. On October 7, 1975, the special supplemental food program was extended through fiscal year 1978, Public Law 94-105. Funds were authorized at $250 million per year for each of fiscal years 1976, 1977, and 1978. Funds available for administrative costs were also expanded from 10 percent of appropriated funds to 20 percent. A definition was added to specify that administrative costs could include referral, operation, monitoring, nutrition education, general administration, startup, and clinic costs. These changes were in response to problems which local agencies said they were having in financing staff salaries and printing costs of food vouchers; administrative costs previously had been defined by regulation, and had not included nutrition education or startup costs. The 20-percent figure for administrative funding was to be available for each State, rather than nationally.

The 1975 amendments also raised the upper age limitation for participation by children from up to age 4 to up to age 5.

In 1976, another class action suit *Durham* v. *Butz*, C.A. No. 76-0358 (D.D.C. June 22, 1976), was filed against USDA. The complaint alleged that USDA had not spent all the funds available for the special supplemental food program in fiscal years 1974, 1975, and 1976. On June 23, 1976, the U.S. District Court for the District of Columbia ordered that USDA had to spend $687.5 million on the special supplemental food program by the end of fiscal year 1978.

The 1978 amendments to the Child Nutrition Act of 1966 extended the special supplemental food program through fiscal year 1982 and escalated the authorization level for the program, Public Law 95-627. Authorizations for fiscal years 1979 and 1980 were $550 million and $800 million, respectively. These authorizations were required by law to be appropriated. For fiscal years 1981 and 1982, authorization levels were set at $900 million and $950 million, respectively. [Note: In order to avoid a threatened veto of the 1978 amendments by the Carter administration, Congress agreed to reduce and subsequently did reduce the 1980 authorization level from $800 million to $750 million, Public Law 96-108.]

Substantive changes were also made in the program in 1978. Income eligibility for participation in the special supplemental food program was required to be set by the Secretary of Agriculture, but could not be set at a level higher than the eligibility level for reduced price school lunches under the National School Lunch Act. At the time this change was made, reduced price lunch eligibility was set at 195 percent of income poverty guidelines prescribed by the Office of Management and Budget. Prior to this change, eligibility was set by USDA regulations as the same income eligibility level set by local programs and/or States for free or reduced price health care. This varied by State and usually ranged between 100 percent and 200 percent of the poverty guidelines.

The 1978 amendments defined "nutritional risk" and specifically allowed the special supplemental food program and the commodity supplemental food program to operate in the same areas. However, the Secretary of Agriculture was required to issue regulations preventing simultaneous participation in both programs.

The 1978 amendments required a specified amount in nutrition education efforts with program participants. The amendments mandated that not less than one-sixth of the funds provided for administrative costs be used for nutrition education activities—including training for persons providing nutrition education to participants and nutrition education materials and instruction in non-English languages.

The 1978 amendments changed the procedures for the allocation of administrative funding. Between 1975 and 1978, each State was to have up to 20 percent of funding available for administrative funding. The 1978 amendments changed the formula to provide that 20 percent of the national program was to be made available for administrative funding nationally rather than having a percent allocated to each State. Individual States and agencies (primarily Indian tribes) can now receive varying percentages although the national total may not exceed 20 percent. The Secretary of Agriculture is responsible to design a formula to determine individual State allotments since the 1978 amendments.

The 1978 amendments mandated outreach efforts for the program. State agencies were required to publicize program benefits, eligibility requirements, and location of local agencies operating the programs, at least once a year. Agencies were also required to distribute special supplemental food program information to offices and organizations dealing with significant numbers of potentially eligible persons. In addition, applications from local agencies for participation in the program were required to be processed by the State agency within 30 days of request, and applications by individuals were required to be processed by local agencies within 20 days.

Finally, the Secretary of Agriculture was directed to issue regulations on what types of food would be available under the special supplemental food program, with special instructions on what maximum levels of fat, sugar, and salt content would be appropriate.

In the Omnibus Reconciliation Act of 1980, Public Law 96-499, Congress extended the program through fiscal year 1984, and established authorization levels at "such sums as may be necessary," transferring decisions on the maximum ceiling on expenditures from the authorizing committees—Senate Committee on Agriculture, Nutrition, and Forestry, and the House Committee on Education and Labor—to the Appropriations Committees.

In 1981, the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, changed the maximum income eligibility standards for reduced price school lunches from 195 percent of the Office of Management and Budget poverty guidelines to 185 percent. This change also affected the maximum income eligibility standard set for the special supplemental food programs which is set at the same level as the reduced price school lunch eligibility level.

The Omnibus Budget Reconciliation Act of 1981 reinstituted ceilings on authorizations for the program—set at $1.017 billion for fiscal year 1982, $1.06 billion for fiscal year 1983 and $1.126 billion for fiscal year 1984.

For fiscal year 1983, the Reagan administration submitted in early 1982 a proposal to combine funding for both the existing SSFP and the CSFP with an existing block grant—within the Department of Health and Human Services—for maternal and child health.

The administration proposed that funding for the new, consolidated block grant be $1 billion, a reduction of $356 million—or roughly 26 percent from what the programs cost individually in fiscal year 1982.

Under the administration's proposal, States would be permitted to spend their funds for the broad purpose of improving maternal and child health without any specific directive as to how much should be allocated for health services or nutrition.

The SSFP and CSFP, administered by USDA, would be eliminated and the revised block grant—entitled services for women, infants, and children—would be federally administered by the Department of Health and Human Services. The proposal was not adopted.

Commodity Supplemental Food Program

The commodity supplemental food program [CSFP] is designed to aid individuals determined to be likely to suffer from malnutrition because of low income and poor health conditions. The primary purpose of the commodity supplemental food program is to provide USDA commodities, at no cost, to supplement the diets of low-income pregnant, post partum and breastfeeding women as well as infants and children up to age 6. In fiscal year 1982, two pilot projects servicing low-income elderly were initiated as outgrowths of CSFP. Assistance provided through the program is food purchased by USDA and issued to the participants.

The Department of Agriculture initially established CSFP by administrative regulations on January 18, 1969. Funding for the program is authorized through fiscal year 1985 by 1981 amendments to the Agriculture and Consumer Protection Act of 1973, Public Law 97-98.

In fiscal year 1982, a monthly average of 126,000 individuals participated in the program at an estimated annual cost of $26 million, not including bonus commodities.

Unlike the special supplemental food program for women, infants, and children, which operates primarily through a voucher system, participants in CSFP receive actual food commodities.

Commodities are distributed by USDA to State agencies and in turn, by State agencies to local agencies. At the State level, the agency usually involved in the program is the State health, human services, or education department. At the local level, the program usually operates through a public or private nonprofit health or human service agency.

The commodities are purchased by USDA according to quarterly estimates submitted to USDA by State agencies. USDA reviews these estimates and then forwards them to either the Agriculture Stabilization and Conservation Service [ASCS] for purchases of dairy, grain, peanut, and oil products, or to the Agriculture Marketing Service [AMS] for purchases of meat, poultry, fruit, and vegetables.

Before a State receives commodities, it must submit a State plan to USDA for approval. The plan must detail how the State will operate the program and include information on names and addresses of local agencies which plan to participate, income criteria and nutritional risk criteria, if any, the State will use to determine eligibility, plans for distribution, storage of the food commodities, and State plans for monitoring local agencies.

The State plan must include a method for detecting dual participation by individuals in both the commodity supplemental food program and the special supplemental food program for women, infants, and children. The two programs may operate in the same area, but an individual may not participate in both programs.

An example of a dual detection system is the District of Columbia's master certification file. The master file lists the participants in each program. A copy of the file is made available to all special supplemental and commodity supplemental food program local clinic sites. The commodity supplemental food program certification file is distributed at 2-month intervals to the special supplemental food program sites, and vice versa. Prior to completing an applicant's process, the master file is checked to ascertain if the applicant is currently enrolled in either program.

A local agency is required to apply to its administrating State agency before it may participate in the program. The local agency must supply information sufficient for the State agency to determine whether the local agency is eligible to participate.

In making this determination in an area already served by a commodity supplemental food program or the special supplemental food program, the State agency must determine that a new local commodity supplemental food program is necessary to serve the full extent of need in that area.

For fiscal year 1981, at the 24 local sites operating a commodity supplemental food program, 14 of the areas also operated a special supplemental food program. These areas were San Francisco, Calif.; New Orleans, La.; Washington, D.C.; Detroit, Mich.; Halifax, N.C.; Memphis, Tenn.; Louisville, Ky.; Weakley, Tenn.; and Buffalo County, Douglas County, Lancaster County, Scottsbluff County, Sherman County, and Thruston County, Nebr.

ELIGIBLITY

Eligibility requirements for the program are established by USDA regulations. A participant must be an infant, a child—defined in the regulations to be up to age 6—or a pregnant, post partum, or breastfeeding woman.

Income eligibility criteria is defined in the Federal regulations as eligibility for benefits under Federal, State, or local food, health, or welfare programs. Most States have set 185 percent of poverty as the income eligibility requirement for participation.

Nutritional risk requirements are discretionary with each State. Of the 12 States that operate a commodity supplemental food program, 5 require a nutritional risk determination. In most of these States, a health official makes the determination using a blood test and weight and height measurements—or weight and length measurements for infants.

BENEFITS

Participants in the program receive food benefits once a month—or in some cases, once every 2 months. USDA guidelines establish food packages for each category of participants. There are five food packages available which include infant formula, rice cereal, canned juice, milk, canned, meat or poultry, egg mix, dehydrated potatoes, peanut butter, or dry beans.

The following chart illustrates the contents of each food package:

USDA HAS ESTABLISHED FIVE FOOD PACKAGES FOR RECIPIENTS—EACH PACKAGE IS GEARED TO MEET THE NUTRITIONAL NEEDS OF ITS TARGET GROUP

Food package	Food type	Quantity
1. Infants 0 to 3 months	Infant formula	31/13 oz. cans.
2. Infants 4 to 12 months	Infant formula	31/13 oz. cans.
	Infant cereal	2/16 oz. packages.
	Juice	2/46 oz. cans.
3. Children 1 to 6	Evaporated milk	5/13 oz. cans.
	Instant nonfat dry milk	2/02 lb. packages.
	Dehydrated potatoes	1/16 oz. package.
	Farina	2/14 oz. packages.
	Egg mix	2/06 oz. packages.
	Peanut butter or dry beans	1 lb. jar or bag.
	Canned meat or poultry	1/29 oz. can.
	Canned vegetables or canned fruit	4/16 oz. cans.
	Juice	5/46 oz. cans.
4. Pregnant or breastfeeding women	Evaporated milk	10/13 oz. cans.
	Instant nonfat dry milk	2/02 lb. packages.
	Dehydrated potatoes	1/16 oz. package.
	Farina	2/14 oz. packages.
	Egg mix	2/06 oz. packages.
	Peanut butter or dry beans	1 lb. jar or bag.
	Canned meat or poultry	1/29 oz. can.
	Canned vegetables or canned fruit	7/16 oz. cans.
	Juice	5/46 oz. cans.
5. Nonbreastfeeding, post partum women	Evaporated milk	3/13 oz. cans.
	Instant nonfat dry milk	2/02 lb. packages.
	Farina	2/14 oz. packages.
	Egg mix	2/06 oz. packages.
	Peanut butter or dry beans	1 lb. jar or bag.
	Canned meat or poultry	1/29 oz. can.
	Canned vegetables or canned poultry	4/16 oz. cans.
	Juice	3/46 oz. cans.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

ADMINISTRATIVE COSTS

Funds are appropriated for State and local costs associated with the administration of the program in an amount not to exceed 15 percent of the amount appropriated to provide commodities to State agencies. Administrative costs include, but are not limited to, expenses for information and referral, operation, monitoring, nutrition education, startup costs, and general administration, including staff, warehouse and transportation personnel, insurance, and administration of the State or local office. The largest cost associated with administration of the program is food distribution—warehousing and distribution of commodities. In States administering the program, food distribution costs make up approximately 50 to 80 percent of the administrative costs covered by Federal funds.

Though it is not required by law, the Department of Agriculture views nutrition education as an important part of the commodity supplemental food program. Local agencies are required by regulation to make nutrition education available to all adult participants and to children, where appropriate. The regulations instruct the States to emphasize the relationship of proper nutrition to good health, and to encourage a positive change in food habits.

PARTICIPATION

Total participation in the commodity supplemental food program has declined from its average monthly peak of 202,000 in fiscal year 1971 to 126,000 per month in fiscal year 1982. The program has declined primarily because of the growth of the special supplemental food program. Though both programs may operate in the same area, individuals are not allowed to participate in both. In fiscal year 1982, CSFP operated in 12 States at 26 local sites. Those States operating CSFP were: District of Columbia, one site; Colorado, six sites; Iowa, one site; Nebraska, six sites; South Dakota, one site; Michigan, one site; Minnesota, one site; Kentucky, one site; Tennessee, five sites; North Carolina, one site; Louisiana, one site; and California, one site.

Participation in CSFP is heavily concentrated in five cities—Denver, Detroit, New Orleans, San Francisco, and Washington, D.C. For fiscal year 1981, these areas accounted for approximately 67 percent of the entire participation in CSFP and approximately 68 percent of the costs. Detroit represented 30 percent of the program in that year. Fiscal year 1982 data is not yet available.

LEGISLATIVE HISTORY

The commodity supplemental food program was created by USDA in 1969 and was entitled the "supplemental food program" [SFP]. The program was established by USDA regulations which amended the existing regulations governing the operation of the commodity distribution program. The supplemental food program was established to distribute commodities to low income pregnant and post partum women, infants, and children.

The legal basis for the creation of the program in 1969 was the act of August 24, 1935, the same as the legal authority for the commodity distribution program. The 1935 act appropriated section 32 funds for the Secretary of Agriculture's use in purchasing or diverting commodities to low-income groups. The act did not define or establish any particular food program.

By regulation, the group of individuals targeted for program benefits is low-income groups, vulnerable to malnutrition. This group was defined by regulation as infants, preschool children, and women during and up to 12 months after pregnancy.

Income eligibility for participation was also established by regulation. Individuals in the target group are eligible for supplemental food program benefits under Federal, State, or local laws.

The first regulations also stated that food benefits under the supplemental food program were available in any area, whether or not a food stamp program operated in the same area, and to any eligible person, whether or not that person was participating in the food stamp program.

During its first fiscal year of operation, fiscal year 1970, the supplemental food program served approximately 142,000 participants per month in approximately 260 projects.

The Agriculture and Consumer Protection Act of 1973, Public Law 93-347, authorized the Secretary to use section 32 and Commodity Credit Corporation funds to purchase agricultural commodities to maintain distribution to domestic food assistance programs,

including the supplemental food program through July 1, 1974. This authorization was amended in 1974, extending the authorization to 1977 and requiring the use of appropriated funds for fiscal years 1976 and 1977, Public Law 93-347.

The Food and Agriculture Act of 1977, Public Law 95-113, amending the Agriculture and Consumer Protection Act of 1973, made the first legislative reference to supplemental food program. These amendments authorized the Secretary to use general Treasury funds for the purchase and distribution of commodities to maintain the traditional level of assistance provided by the various feeding programs. The legislation enumerated some of the programs through which Congress intended the Secretary to make commodity distributions, such as institutions, supplemental feeding programs, and summer camps for children.

These amendments made two specific changes in the program; the program's name was changed from the supplemental food program to the commodity supplemental food program, and the Secretary was instructed for the first time to reimburse State and local agencies for administrative costs in connection with the program. The amount of funds available for administrative costs could not exceed 15 percent of the total value of the commodities made available to the State or local agency for that particular year. Congress defined administrative costs to include expenses for information and referral, operation, monitoring, nutrition education, startup costs, and general administration, including staff, warehouse and transportation personnel, insurance, and administration of the State or local office.

In fiscal year 1978, the appropriation for administrative costs of the program was approximately $2.5 million.

The next legislative change was made by the Agriculture and Food Act of 1981, amending the Agriculture and Consumer Protection Act of 1973, Public Law 97-98. The formula for determining administrative cost was adjusted to 15 percent of the funds appropriated for the purchase of commodities, rather than the value of the commodities available to the States. This change made it possible to determine at the beginning of the fiscal year the funding available for administrative expenditures.

The Agriculture and Food Act of 1981 also gave the Secretary discretionary authority to establish two pilot projects directed at low-income elderly. Where possible, the Secretary was instructed to make home deliveries of the commodities. The projects were authorized for a 2-year period only.

Pilot projects have been established in Des Moines, Iowa, and Detroit, Mich. For the first 4 months of operation, 3,250 elderly individuals have been served in both areas: 1,600 per month in Des Moines and 1,650 in Detroit. Federal funding for a third project has since been approved for New Orleans, La.

Since July 1981, the Department has provided surplus cheese as a bonus item to women and children participants provided free in addition to the usual food package. The cheese is only available at local agencies that can refrigerate the cheese. The current rate of distribution is 5 pounds per women or child per month. Since September 1981, the Department has provided nonfat dry milk already part of the standard food packages, on a free basis so that State

food accounts are not charged for the milk. The free provision of surplus nonfat dry milk has lowered the food cost per participant so that more participants may be served.

The following chart illustrates average monthly participation and annual costs for fiscal years 1969 to 1982:

PARTICIPATION COST IN THE COMMODITY SUPPLEMENTAL FOOD PROGRAM, FISCAL YEARS 1969–82

Fiscal year	Average monthly participation	Total cost (millions)
1969	40,000	$1.0
1970	147,000	7.8
1971	202,200	12.8
1972	192,000	12.9
1973	164,000	13.3
1974	146,000	15.1
1975	132,000	17.3
1976	132,000	17.2
Transition quarter	111,000	4.0
1977	114,000	14.6
1978	95,000	16.0
1979	97,000	17.4
1980	102,000	21.2
1981	115,000	23.7
1982	126,000	26.3

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Nutrition Education and Training

The nutrition education and training program [NET] provides grants to State educational agencies for comprehensive nutrition education and training programs. Such programs are intended to teach children about the nutritional value of foods and the relationship between food and health. The programs are also intended to provide nutrition education and training for teachers and food service personnel and to facilitate development of classroom materials and curricula.

The program was established in 1977 under Public Law 95-166 to encourage the dissemination of nutrition information to children participating, or eligible to participate, in the school lunch and other child nutrition programs, while utilizing those meal programs as learning laboratories.

The program was to be coordinated at the State level with other nutrition activities by a State nutrition education specialist who would serve as coordinator. A grant of 50 cents for each child enrolled in schools or institutions within a State was authorized for fiscal years 1978 and 1979, with no State receiving less than $75,000 per year. In fiscal year 1980, an amount was authorized to each State to be the higher of 50 cents per child or $75,000; if appropriations for that year were insufficient to pay the amounts to States in excess of $75,000 base figure, then the grants to those States were to be proportionately reduced.

By fiscal year 1980, the program was authorized at $20 million. The Omnibus Reconciliation Act of 1980, Public Law 96-499, reduced the authorization level to $15 million per year and extended the program through fiscal year 1984.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, further reduced the authorization for fiscal years 1982, 1983, and 1984 to $5 million annually. The Reagan administration had recommended the total elimination of the program in the fiscal year 1982 budget. Further appropriations legislation for fiscal year 1982 reduced the base figure from $75,000 to $50,000 per State, Public Law 97-257.

In 1982, the Reagan administration again proposed what essentially constituted an elimination of the NET program. This was the effective result of a consolidated block grant proposal which included several child nutrition programs. NET was included along with the summer food service, child care food, school breakfast, and special milk programs in the programs for which the block grant would be substituted. No funding for NET, or special milk or summer food service, was assumed in determining the total amount of the block grant funding. However, block grant funds could have been used for nutrition education and training. The proposal was not adopted by Congress.

State Administrative Expenses

The State administrative expenses program [SAE] provides Federal payments to States to cover certain administrative expenses of State agencies, primarily educational agencies, in supervising and giving technical assistance to schools for conducting programs under the Child Nutrition Act of 1966 and the National School Lunch Act.

In fiscal year 1982, the program cost $44.5 million.

The program was first authorized under the Child Nutrition Act of 1966. Under the original act, the funds could be used for programs under the Child Nutrition Act of 1966 as well as the school breakfast program, the nonfood assistance program, the forerunner of the equipment assistance program which was eliminated in the 1981 Reconciliation Act, and the general assistance program of the National School Lunch Act.

The following table outlines the funds received by the various States during fiscal year 1982:

State	State administrative expenses (in millions)	State	State administrative expenses (in millions)
Alabama	$1,133	New Hampshire	$267
Alaska	266	New Jersey	1,151
Arizona	487	New Mexico	494
Arkansas	688	New York	2,698
California	3,483	North Carolina	1,545
Colorado	387	North Dakota	212
Connecticut	749	Northern Marianas	211
Delaware	266	Ohio	1,456
District of Columbia	366	Oklahoma	637
Florida	2,147	Oregon	307
Georgia	1,474	Pennsylvania	1,653
Guam	174	Puerto Rico	919
Hawaii	183	Rhode Island	411
Idaho	120	Samoa, American	168
Illinois	1,593	South Carolina	901
Indiana	756	South Dakota	356
Iowa	501	Tennessee	766
Kansas	453	Texas	2,947
Kentucky	896	Trust Territory	237
Louisiana	1,076	Utah	316
Maine	320	Vermont	252
Maryland	706	Virginia	391
Massachusetts	693	Virgin Islands	239
Michigan	1,288	Washington	388
Minnesota	736	West Virginia	551
Mississippi	1,024	Wisconsin	675
Missouri	667	Wyoming	253
Montana	356	DOD Army/AF	
Nebraska	217	Adjustment	+409
Nevada	253	Total	44,538

In 1977, the funding allocation was changed by Public Law 95-166 to provide an allocation of 1 percent of the Federal funds expended for the programs administered by the State education agencies for fiscal year 1978. Further, the legislation specified that for fiscal years 1979 and 1980 the amount must be not less than 1 nor more than 1½ percent of the funds used in the State during the second fiscal year preceding the fiscal year for which the State administrative expenses are to be paid. However, for those Federal funds received by each State, funds exceeding the first $100 million, the Secretary was to pay 1 percent. In no case would any State receive less than $75,000 or the amount it had received in 1977 for administrative expenses, whichever is larger.

In addition, these amendments provided for special funding for auditing of the child care institutions participating in the child care food program. The Secretary was to allocate to each State for such auditing purposes an amount of up to 2 percent of funds used by the State for the child care food program during the second fiscal year preceding the year for which the amount is to be paid.

The provisions affecting fiscal years after 1978 were completely revised in November 1978 by Public Law 95-627 which provided that the Secretary shall make funds available to pay State administrative expenses equal to not less than 1½ percent of all Federal funds received by the State for child nutrition programs in the second preceding year, rather than merely 1½ percent for the first $100 million. Under these amendments, no State was to receive less than the larger of $100,000 or the amount it had received in fiscal year 1978.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, further changed the formula to ensure that no State would receive less than $100,000 or the amount it had received in fiscal year 1981. Also, the inclusion of equipment assistance funds as an administrative expense eligible for reimbursement was eliminated. This was a conforming change consistent with the elimination of the equipment assistance program in the 1981 Reconciliation Act.

During fiscal year 1982, $32.5 million of the total $44.5 million appropriation was allocated under the basic formula of the program, and $4.4 million was made available to the States to improve their program administration. State administrative expenses for the child care food program were $2.7 million during fiscal year 1982. Additionally $2.2 million was used to upgrade the management of the food distribution program, to monitor food processing contracts, and to improve the accountability for donated commodities. The remaining $2.5 million was made available to States during the reallocation of State administrative funds. This $2.5 million originally had been budgeted to reimburse FNS for Federal administration of programs in some States which do not administer the child nutrition programs.

BUDGET RECONCILIATION AND INCOME TESTED PROGRAMS

As noted in the individual descriptions of the programs, considerable changes have been made in the programs as a result of the Reconciliation Acts of 1980 and 1981.

The accompanying tables demonstrate the level of savings that were anticipated as a result of the provisions adopted in each bill. These are the levels estimated by the Congressional Budget Office at the time the legislation was under consideration in 1980 and 1981 in both budget authority [BA] and outlays [OL]:

CBO ESTIMATE OF SAVINGS—OMNIBUS RECONCILIATION ACT OF 1980

[Original savings estimates December 1980; by fiscal year, in millions of dollars]

	1981	1982	1983	1984	1985
Entitlement changes:					
Reduction in general reimbursement	−60				
Reduction in commodity assistance	−63				
Income eligibility guidelines	−47	−27	−27	−27	−27
Annual indexation lunch/breakfast	−102				
Job Corps centers	−15	−15	−16	−16	−17
Summer food service for children	−18	−20	−22	−25	
Child care reimbursement	−5	−8	−9	−10	−12
Annual indexation child care	−6				
Child care equipment	−2	−2	−2	−2	−2
Special milk program	−57	−62	−66	−72	−78
Title XX child care providers		32	35	38	41
Subtotal	−375	−102	−107	−114	−95
Nonentitlement changes:					
Breakfast commodities	−19	−20	−23	−23	−25
Nutrition education	−5	−5	−5	−5	−5
Equipment assistance	−5	−5	−5	−5	−5
Subtotal	−29	−30	−33	−33	−35
Grand total	−404	−132	−140	−147	−130

CBO ESTIMATE OF RECONCILIATION SAVINGS—OMNIBUS BUDGET RECONCILIATION ACT OF 1981

[By fiscal years, in millions of dollars]

	1981		1982		1983		1984	
	BA	OL	BA	OL	BA	OL	BA	OL
Authorization reductions:								
Extend Public Law 96-499 [1]			−360	−335	−341	−342	−359	−357

15-642 O—83——7

CBO ESTIMATE OF RECONCILIATION SAVINGS—OMNIBUS BUDGET RECONCILIATION ACT OF 1981—Continued

[By fiscal years, in millions of dollars]

	1981		1982		1983		1984	
	BA	OL	BA	OL	BA	OL	BA	OL
Change eligibility for reduced price meals from 195 percent, of poverty to 185 percent with no standard deduction [1]			−78	−73	−90	−89	−97	−96
Change the 60 percent safety net level to 2 cents [1]	−1		−7	−8	−7	−7	−8	−8
Eliminate subsidies to private schools with tuitions above $1,500 [1]			−5	−5	−5	−5	−6	−6
Require documentation of income as a condition for free and reduced price meal eligibility; define income as "current income" [1]			−125	−116	−125	−125	−125	−125
Eliminate Food Service Equipment Assistance Funding [2]			−19	−19	−19	−19	−19	−19
Tie eligibility for free meals to food stamp eligibility [1]			−66	−61	−70	−70	−71	−70
Cut breakfast subsidies to nonneedy children in half; eliminate severe need breakfast in schools where less than 40 percent of the meals are served free or reduced; cut severe need reduced rate to half of the free rate; set reduced rate at not more than 30 cents less than free [1]	−4		−45	−46	−54	−53	−61	−61
Reduce total subsidies for free and reduced lunches by 3 cents, and set the total subsidy to nonneedy children at 21.5 cents for 1982; includes the effect of establishing new base rates [1]	−49		−442	−460	−476	−474	−506	−505
Lower reduced price lunch subsidy another 20 cents [1]	−7		−60	−63	−63	−63	−64	−63
Extend 1980 Reconciliation Act provisions to child care institutions [1]	−1		−7	−8	−7	−7	−7	−7
Eliminate for-profit child care centers with less than 25 percent needy children [1]			−7	−6	−16	−16	−21	−21
Allow reimbursement for a maximum of three meals in child care feeding program [1]	−4		−40	−41	−58	−57	−63	−62
Eliminate payments in the child care program for meals served providers' children in day care homes where the providers' income is over 18 percent of poverty; reduced reimbursement for snacks in nonneedy children; set reduced price snack rate at one-half of free; exclude all children over the age of 12 [1]			−11	−10	−14	−13	−16	−15
Eliminate tiering in the child care program [1]			−11	−10	−13	−12	−14	−13
State administrative expenses [1]							−15	−15
Reduce nutrition education			−10	−10	−10	−10	−10	−10
WIC			+19	+16		+3		

CBO ESTIMATE OF RECONCILIATION SAVINGS—OMNIBUS BUDGET RECONCILIATION ACT OF 1981—Continued

[By fiscal years, in millions of dollars]

	1981		1982		1983		1984	
	BA	OL	BA	OL	BA	OL	BA	OL
Annually adjust family day care home rates; reduce the rate by 10 percent; reduce FDCH administrative costs by 10 percent [1]			−15	−14	−17	−16	−19	−19
Subtotal	−66		−1,289	−1,269	−1,385	−1,375	−1,481	−1,472
Proposed direct spending reductions:								
Restrict participation to schools and certain public sponsors in the summer feeding program and limit eligibility to areas where 50 percent or more of the children are needy			−90	−85	−95	−93	−99	−99
Eliminate the special milk program except in schools with no meal programs	−10		−95	−103	−99	−98	−102	−101
Subtotal	−10		−185	−188	−194	−141	−201	−200
Total savings subconference No. 16	−76		−1,474	−1,457	−1,579	−1,566	−1,682	−1,672
Comparisons:								
House-passed	−85		−1,577	−1,566	−1,728	−1,709	−1,904	−1,877
Senate-passed	−75		−1,511	−1,480	−1,638	−1,625	−1,766	−1,751

[1] The House considers these reductions as reductions in direct spending.
[2] The House considers $4,000,000 of this reduction as a reduction in direct spending.

The proportion of funds provided for income tested versus nonincome tested child nutrition programs has changed significantly since fiscal year 1970. In fiscal year 1970, about 22 percent of all child nutrition program expenditures were provided for programs that had a Federal income test. By 1980, this proportion had grown to approximately 58.3 percent of total child nutrition program expenditures. This increase was largely a consequence of growth in participation and Federal payments in the income tested free and reduced price school lunch and school breakfast programs, as well as the 1974 implementation and continued growth in funding for the special supplemental food program for women, infants, and children.

In the current fiscal year, 1983, the proportion of expenditures provided for income tested programs is expected to be about 73.1 percent.

This change is primarily the result of the reductions in Federal payments for the nonincome tested, regular—section 4—school lunch program, and the commodity assistance program which were enacted under the Omnibus Reconciliation Act of 1980 and the Omnibus Budget Reconciliation Act of 1981.

For the purposes of this analysis, only programs for which there is an individual income eligibility requirement are characterized as income tested.

The following child nutrition programs, or parts of programs, establish Federal income requirements for receipt of funds for benefits: section 11 special assistance for free and reduced price school

lunches: free and reduced price school breakfasts; free and reduced price meals and snacks served in child care centers under the child care food program; free milk provided under the special milk program; and the special supplemental food program for women, infants, and children.

Non-income-tested child nutrition programs are those for which there is no individual Federal income standard or criteria for receipt of Federal funds. Non-income-tested programs may actually serve low-income persons; however, the program benefits are not dependent upon meeting a Federal specified income requirement. For example, section 4 school lunch funds provide a mandated Federal subsidy for every lunch served, regardless of the family income of the child receiving the lunch. This is also true for the commodity assistance program. These basic cash and commodity subsidies make up part of the total Federal subsidy that is provided for free and reduced price lunches. In this sense, both of these programs provide Federal assistance for lunches served to low-income children. However, because the cash and commodity assistance is not conditional upon meeting an income test, these programs would be considered non-income-tested child nutrition programs.

In addition to Federal expenditures for the regular school lunch and commodity assistance programs, other non-income-tested expenditures would include those provided for meals served to children under the paid meals served under the breakfast and child care food programs; and for paid milk served under the special milk program. While some of the Federal funds provided for State administrative expenses, and nutrition education and training [NET] and studies may benefit low-income children, there is no income test for recipients of these Federal funds, and they are treated as non-income-tested programs.

Under the child care food program, family day care home expenditures, as opposed to centers, are not income tested. Thus, although part of this component of the child care food program may serve some level of low-income children, the fact that the subsidies are not income tested places them in the category of non-income-tested programs.

Because there is no specific Federal income requirement for the commodity supplemental food program [CSFP], it is also considered a non-income-tested program.

Finally, the summer food service program is considered a non-income-tested program. The program may operate only in areas where at least 50 percent of the children participating in the school lunch program receive free or reduced-price lunches, and thus have incomes at or below 185 percent of poverty. However, there is no individual family income criteria for the receipt of meals in the summer program, all of which are provided free of charge, to ensure that only low-income children in those areas receive the benefits of the program.

The following table was prepared from information compiled by the Congressional Research Service of the Library of Congress and the Food and Nutrition Service of the Department of Agriculture. It demonstrates the recent expenditure levels in income tested and non-income-tested programs:

CHILD NUTRITION PROGRAM EXPENDITURES BY FEDERALLY INCOME-TESTED VERSUS NON-INCOME-TESTED PROGRAMS [1]

[Dollars in millions]

By program	Fiscal Year—			
	1980 actual	1981 actual	1982 estimate	1983 estimate
Income tested expenditure	$2,623.0	$3,075.5	$3,105.2	$3,409.7
(Percent of total)	(58.3)	(63.8)	(72.5)	(73.1)
School lunch, sec. 11 [2]	1,379.4	1,608.8	1,654.7	1,829.5
School breakfast—Free and reduced	238.6	309.2	309.9	321.7
Child care food—free and reduced [3]	195.3	175.0	175.9	191.8
School milk program—free	35.3	36.8	2.6	1.9
Special supplemental food program for women, infants, and children [4]	774.4	945.7	962.1	1,064.8
Non-income tested expenditure	$1,873.5	$1,823.4	$1,175.5	$1,254.1
(Percent of total)	(41.7)	(37.2)	(27.5)	(26.9)
School lunch, sec. 4 [5]	724.7	761.7	422.2	440.0
Commodity assistance [6]	818.3	632.0	441.1	459.5
School breakfast—paid	11.2	11.8	9.5	5.3
Child care—paid and family homes [7]	10.6	115.5	117.7	140.7
Summer food [8]	88.8	121.7	88.8	99.4
School milk program—paid	121.5	82.0	16.9	18.3
Equipment assistance [9]	20.0	15.0	.....	.....
State administration expenses	34.9	38.2	44.5	47.7
Nutrition education and studies	21.7	18.45	8.5	7.5
Commodity supplemental food program	21.75	27.04	26.3	35.7
Total child nutrition expenditures	$4,496.5	$4,898.9	$4,280.7	$4,633.8
(Percent of total)	(100)	(100)	(100)	(100)

[1] For the purposes of this table "income-tested" is defined as being any program for which funds are provided on the basis of an individual income test. "nonincome tested" is defined as being any program for which the receipt of funds does not require an individual income test.

[2] Includes only sec. 11 expenditures for free- and reduced-price school lunches. Does not include sec. 4 expenditures for such lunches.

[3] Includes all Federal expenditures for free- and reduced-price meals served in child care centers for each year and in family day care homes for 1980. After fiscal year 1980, the individual income test for family day care home participation was eliminated, consequently after fiscal year 1980 expenditures for family day care homes are shown in the nonincome tested portion of the table.

[4] Includes carryover funds from previous year.

[5] Includes all funds provided under sec. 4 (i.e. the basic payment for all lunches—paid free and reduced price).

[6] Includes FNS commodities and sec. 32 commodities used to meet the mandate support levels for all lunches (including those served free and at reduced price). Does not include bonus commodities.

[7] Change between fiscal year 1980 and fiscal year 1981 reflects implementation of nonincome tested payments for meals served in family day care homes.

[8] Although there is a requirement that programs operate only in areas where 50 percent of more of the children are income eligible for free and reduced price lunches, summer food is included under nonincome tested programs because there is no individual income test for participation.

[9] Funding for the equipment assistance program was eliminated by the Omnibus Budget Reconciliation Act of 1981.

Source: Table provided by the Congressional Research Service according to committee instructions. Expenditure information was provided by the U.S. Department of Agriculture, Food Nutrition Service, Budget Office.

The following table shows the Federal expenditures for each of the programs discussed within the print for fiscal year 1982, which ended September 30, 1982.

CHILD NUTRITION AND SPECIAL MILK PROGRAMS—FINANCING FOR THE FISCAL YEAR 1982

(In thousands of dollars)

State	Special milk	School lunch	Special meal assistance	School breakfast	State administrative expenses	Commodities and cash-in-lieu-of commodities	Child care	Summer food service	Nutrition education and training	Total food contribution
Alabama	38	10,136	51,109	10,336	1,133	14,786	7,127	2,150	77	96,892
Alaska	43	1,018	3,512	378	266	1,124	1,330	.....	50	7,721
Arizona	540	4,031	17,630	2,968	487	7,594	3,644	528	51	37,473
Arkansas	28	5,139	23,375	4,195	688	9,072	2,300	137	50	44,984
California	2,387	33,979	188,426	39,460	3,483	59,353	28,354	10,629	432	366,503
Colorado	101	4,683	13,950	1,709	387	9,324	7,164	688	48	38,054
Connecticut	608	3,954	14,533	673	749	6,958	2,745	965	59	31,244
Delaware	38	884	3,909	866	266	1,759	919	303	50	8,994
District of Columbia	30	985	6,707	1,359	366	1,628	1,251	341	50	12,717
Florida	128	17,215	81,935	16,029	2,147	32,414	9,910	3,955	162	163,895
Georgia	72	15,902	64,132	12,076	1,474	27,516	9,741	2,095	99	133,107
Guam	.....	322	1,544	627	174	406	21	.....	.....	3,094
Hawaii	25	2,881	8,942	1,760	183	4,069	1,060	270	50	19,240
Idaho	77	1,870	5,822	216	120	3,693	647	36	27	12,508
Illinois	2,656	16,651	77,476	9,865	1,593	30,644	10,467	2,995	221	152,568
Indiana	345	10,257	23,474	2,204	756	20,512	3,430	1,067	108	62,153
Iowa	239	6,411	13,017	944	501	12,638	2,180	242	55	36,227
Kansas	95	4,566	11,769	569	453	5,475	3,168	36	50	26,181
Kentucky	104	8,698	36,290	10,518	896	19,650	2,681	952	69	79,858
Louisiana	114	11,701	50,858	9,434	1,076	21,633	3,736	1,721	87	100,360
Maine	82	2,115	9,063	784	320	3,179	1,176	332	50	17,101
Maryland	348	5,926	23,923	3,637	706	11,990	3,297	1,369	80	51,276
Massachusetts	525	8,533	31,063	3,826	963	14,928	8,040	2,371	109	70,358
Michigan	1,371	12,395	50,002	4,038	1,288	25,412	11,514	4,621	192	110,833
Minnesota	489	7,866	18,302	1,376	736	16,353	10,455	722	78	56,427
Mississippi	10	7,533	43,222	10,391	1,024	13,078	8,905	1,332	51	85,546
Missouri	302	9,199	33,138	4,575	667	16,819	4,817	1,077	91	70,685
Montana	68	1,451	3,913	480	356	2,879	1,369	144	50	10,710
Nebraska	99	2,937	7,480	557	217	4,800	1,964	169	50	18,273
Nevada	27	987	2,933	854	253	2,050	420	113	50	7,687
New Hampshire	172	1,521	3,895	243	267	2,258	819	10	50	9,235
New Jersey	1,596	10,529	46,063	4,872	1,151	19,341	10,044	4,530	138	98,264

94

88

New Mexico	241	3,033	15,920	2,216	494	5,876	2,793	637	.....	31,210
New York	3,541	27,856	146,092	26,443	2,698	50,172	26,729	19,758	324	303,613
North Carolina	96	14,997	65,327	18,373	1,545	26,398	5,675	1,810	114	134,335
North Dakota	20	1,492	3,152	213	212	3,070	1,725	202	49	10,135
Northern Marianas	.....	94	728	278	211	93	73	.....	34	1,511
Ohio	1,215	17,305	62,315	13,378	1,456	34,952	7,310	1,881	207	140,019
Oklahoma	13	6,183	20,655	4,010	637	10,613	2,977	453	53	45,594
Oregon	187	4,015	12,963	1,192	307	7,466	2,757	253	50	29,190
Pennsylvania	835	18,773	58,660	5,357	1,653	38,103	10,025	5,024	215	138,645
Puerto Rico	.....	10,147	72,822	13,087	919	19,973	.....	1,351	69	118,368
Rhode Island	91	1,042	5,746	656	411	2,081	879	717	50	11,673
Samoa, American	.....	152	1,116	684	168	223	.....	.....	50	2,393
South Carolina	32	8,669	41,212	7,663	901	14,315	3,865	2,951	57	79,635
South Dakota	44	1,494	5,060	894	356	3,793	1,171	201	50	13,063
Tennessee	42	10,240	43,334	7,445	766	18,458	4,807	1,248	87	86,427
Texas	142	30,503	132,887	40,085	2,947	54,086	12,910	2,270	272	276,102
Trust territory	.....	542	4,281	1,216	237	937	365	.....	50	7,628
Utah	69	3,492	8,341	504	316	7,499	2,360	131	50	22,762
Vermont	149	814	2,997	83	252	1,556	322	26	50	6,249
Virginia	149	10,638	38,407	5,285	391	20,589	3,599	945	101	80,104
Virgin Islands	5	412	2,668	36	239	607	277	305	50	4,599
Washington	333	5,225	19,518	2,111	388	9,583	9,502	286	76	47,022
West Virginia	39	4,010	16,840	6,426	551	7,579	1,280	526	50	37,301
Wisconsin	1,406	7,610	20,472	1,400	675	13,783	3,064	485	87	48,982
Wyoming	20	883	1,526	81	253	2,067	787	16	.....	5,633
DOD Army/Air Force	.....	233	418	.....	.....	329	.....	.....	.....	980
Adjustment	−1,906	+71	−120,201	−1,505	+409	+1,132	+553	+1,374	+21	−120,052
Total	19,520	422,200	1,654,663	319,400	44,538	[1] 778,668	270,500	88,800	5,000	[2] 3,603,289

[1] Includes $31,065 cash-in-lieu of commodities for the State of Kansas child care food program and projects participating in the study of alternatives to commodity distribution; and $339,468,000 bonus commodities.
[2] Excludes $3,300,000 for nutrition studies and surveys.

MULTIPLE PROGRAM OPTIONS

As noted in the Chairman's foreword, one of the purposes of this committee print is to provide reasonable policy alternatives for consideration in the event that budget reductions in these programs are necessary.

The following segment of the committee print is devoted to changes which could be made in two or more child nutrition programs—multiple program options.

A separate segment will deal with options for individual programs.

The Congressional Budget Office provided the savings estimates which are included within those options for which a specific dollar savings is cited.

[NOTE.—CBO figures are based on January 1983 baselines throughout this committee print. CBO estimates on the same proposals considered at a future time may be slightly different, based on whatever economic assumptions are being used at that time. Reductions are expressed in reductions in obligations incurred during each fiscal year.]

It should also be noted that CBO savings figures are given for each individual option. Savings from a consolidation of two or more options would not necessarily equal the combined savings listed for each option. This is because one option may impact, or interact, with another to produce a different level of combined savings.

The accompanying table outlines the assumptions about baseline expenditures for each of the programs in the current fiscal year, 1983, and for the next 5 (1984–88). The "baseline" is the expected expenditure level in each program if no changes were made, but rather each program continued to be operated under the provisions of current law.

PRELIMINARY CBO BASELINE—JANUARY 1983

[By fiscal year in millions of dollars]

	1983	1984	1985	1986	1987	1988
National school lunch program:						
Secs. 4 and 11 cash assistance	2,302	2,460	2,590	2,727	2,861	3,005
Commodities	433	468	488	516	544	564
School breakfast program	335	356	375	394	415	435
Summer food service program	94	99	105	110	115	120
Child care food program:						
Center	223	246	267	292	318	345
Homes	101	110	121	131	142	154
Nutrition education and training	5	5	5	5	5	5
Studies	2.5	2.5	2.5	2.5	2.5	2.5
State administrative expenses	47	48	49	51	54	58
Special supplemental food program (WIC)	1,060	1,113	1,165	1,215	1,261	1,307

PRELIMINARY CBO BASELINE—JANUARY 1983—Continued

[By fiscal year in millions of dollars]

	1983	1984	1985	1986	1987	1988
Commodity supplemental food program	32.6	34.2	35.8	37.4	38.8	40.2
Special milk program	21	21.2	21.4	23.6	24.8	26
Total	4,656.1	4,962.9	5,224.7	5,504.5	5,781.1	6,061.7

In the various options which are listed, CBO savings estimates are usually provided for 3 full fiscal years, 1984-86. In the case of some provisions, such as indexing, in which a change to the current July 1 indexing might occur during the current fiscal year, 1983, the 4-year impact is shown (1983-86).

FREEZE OR ADJUST INDEXING OF REIMBURSEMENT RATES

Various proposals have been circulated unofficially in Congress for freezing, delaying, or reducing the indexing of programs that currently have automatic indexing of benefits. This option outlines various ways of dealing with indexing that might be considered for reimbursement rates in child nutrition programs. Reimbursement rates in the child nutrition programs are currently indexed annually each July based on inflation for the 12 months ending May 30.

Indexing of reimbursement rates in combination with expanded program participation in all child nutrition programs has contributed greatly to the growth in Federal expenditures for these programs. Congress recognized this by temporarily eliminating semiannual indexing in 1980 and making the elimination permanent in 1981. Reductions in indexing result in greater savings when inflation is high. Changes made in 1980 and 1981 took place after periods of annual inflation exceeding 10 percent. Indeed, some of the "savings" attributed to the reconciliation acts of 1980 and 1981 actually took place subsequently, not because of changes in indexing or lowering of reimbursement rates, but because of the low inflation rates. Inflation in calendar year 1982 was 3.9 percent.

The food price inflation rate for the July 1, 1983, rate adjustment is projected to be 5.4 percent, according to the Congressional Budget Office. It can be argued that a 1-year freeze of reimbursement rates would have a minimal impact on nutrition programs while saving the Federal Government $205 million in fiscal year 1984, as well as $26 million in fiscal year 1983.

Under the freeze, indexing which is currently scheduled for July 1, 1983 (based on 12 months ending May 1983) would be postponed 1 year. All subsequent indexing would be based on inflation for the 12-month period ending a year earlier—i.e., July 1, 1984 indexing would be based on inflation through May 1983; July 1, 1985 indexing would be based on inflation through May 1, 1984; and so forth.

The following table outlines the savings of a 1-year freeze on various child nutrition programs:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—			
	1983	1984	1985	1986
School lunch	20	160	160	180
School breakfast	2	20	20	20
Child care food	4	20	25	30
Special milk	(1)	(1)	(1)	1
Summer food	0	5	6	7
Total	26	205	211	238

[1] Savings less than $1 million.

Additional savings could be achieved in fiscal year 1985 by freezing reimbursement rates for 2 years, until July 1, 1985. Food price inflation for the July 1, 1984 indexation, is calculated to be approximately 5.1 percent.

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—			
	1983	1984	1985	1986
School lunch	20	180	310	325
School breakfast	2	20	40	40
Child care food	4	25	40	45
Special milk	(1)	(1)	1	1
Summer food	0	5	10	10
Total	26	230	401	421

[1] Savings less than $1 million.

Another option—which has been discussed with respect to various programs following the mid-January recommendation to postpone indexing of social security benefits for 6 months—would be to postpone other indexing for 6 months as well.

That concept applied to the child nutrition programs would result in savings of $26 million in fiscal year 1983 and $90 million in future years as demonstrated by the following table:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—			
	1983	1984	1985	1986
School lunch	20	70	70	70
School breakfast	2	10	10	10
Child care food	4	10	10	10
Special milk	(1)	(1)	(1)	1
Summer food	(1)	(1)	(1)	(1)
Total	26	90	90	91

[1] Savings less than $1 million.

One other variation on slowing the cost of program expenditures which result from indexing would be to provide for partial indexing. For example, indexing all reimbursements at 1 percent under the inflation rate would achieve the level of savings shown in the

accompanying chart; this proposal is often expressed as "indexing minus 1 percent". Food price inflation for the next 3 years is projected to be 5.4 percent, 5.1 percent, and 5 percent, according to CBO. "Indexing minus 1 percent" would assume that in place of full indexation, reimbursement rates would be increased by 4.4 percent, 4.1 percent, and 4 percent, respectively.

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—			
	1983	1984	1985	1986
School lunch	5	35	60	105
School breakfast	(1)	4	8	12
Child care food	1	4	8	13
Special milk	(1)	(1)	(1)	(1)
Summer food	0	1	2	3
Total	6	44	78	133

[1] Savings less than $1 million.

ELIMINATE SUBSIDIES FOR PAID MEALS AND SNACKS

As noted in the individual descriptions of the programs, students participating in the school lunch and breakfast programs, and children in the child care food program are eligible to receive federally subsidized meals regardless of household income. Federal reimbursements in the lunch and breakfast programs and the child care centers component of the child care food program are provided based on three categories of meals—free, reduced price, and paid—eligibility for which is based on income eligibility standards.

In the event that reductions in the child nutrition programs are necessary, one potential area for reductions is in the paying child category. In terms of targeting the program on low-income participants, the Federal subsidy to children from families with incomes above 185 percent of poverty, $17,210 for a family of four, may be one appropriate area for consideration.

Currently the reimbursement rates for paid meals are 22.5 cents per lunch—11 cents cash and 11.5 cents in commodities—and 8.75 cents for breakfast. The same rates apply for the child care centers where an additional 3 cents per snack is also available in Federal reimbursement.

During fiscal year 1982, approximately 50 percent of lunches, 11 percent of breakfasts, and 21 percent of child care reimbursements were made at the paid rate.

The Reagan administration recommended the immediate elimination of the paid reimbursement for both cash and commodities in all three programs in its fiscal year 1982 budget submission in early 1981.

The House Committee on the Budget included a variation of this concept in its fiscal year 1982 proposal. Under the House Budget Committee plan, a recommendation was made for phasing out the paid reimbursement in the lunch program over a 3-year period beginning in fiscal year 1982. However, neither the Senate nor the Gramm-Latta budget substitute which passed the House contained

elimination of the paid subsidy for any of the programs. While reimbursement rates were reduced for each of these programs in 1981, the paid category was not eliminated in any of the three programs.

Based on CBO projections, elimination of the paid categories in these three programs would result in savings of $482 million in fiscal year 1984 as outlined in the following table:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—		
	1984	1985	1986
School lunch:			
Cash and commodities	465	485	515
Cash only	(250)	(260)	(275)
School breakfast	6	6	6
Child care food (centers only) cash and commodities	11	12	13
Total/cash and commodities	482	503	534

There is no income test for eligibility in the day care home component of the child care food program. However, preliminary findings by the Food and Nutrition Service indicate that approximately 64 percent of recipients have incomes above 185 percent of poverty, the paid reimbursement level in other programs.

If a means test were reimposed on the program and Federal reimbursement for the resulting paid category (reimbursed at rates now applicable in child care centers) were eliminated, additional savings would result as outlined below:

Savings in millions of dollars

Child Care Food program—day care homes with a reimposed means test (cash and commodities):[1]

Fiscal year:	
1984	60
1985	65
1986	70

[1]Assuming the distribution currently reported by FNS is representative nationally—64 percent paid.

The special milk program has two components, free and paid. In schools that offer the free portion, only students from families with incomes below 130 percent of poverty may participate free of charge. In all other cases, a Federal reimbursement is provided which is currently 9.25 cents per half-pint of milk served. Over 90 percent of all milk is served at the paid reimbursement. Adding elimination of the Federal reimbursement for milk served to paying students to this option would save an additional amount as outlined below:

Special milk program—savings in millions of dollars

Fiscal year:	
1984	19
1985	20
1986	21

ELIMINATE FEDERAL REIMBURSEMENT FOR REDUCED-PRICE MEALS AND SNACKS

Another budget option that could be considered independently or in conjunction with the elimination of the paid category would be the elimination of the Federal reimbursement for reduced-price meals and snacks. For purposes of this option, it is considered independently from the treatment of the Federal reimbursement for paid meals and snacks.

Under all of the Federal child nutrition programs for schools and child care centers, reduced-price meals are available to children from families with incomes between 130 and 185 percent of poverty. Federal reimbursement rates for these meals are set between the higher free reimbursement rate and the lower paid rate in each of the programs.

The reduced-price category applies in the school lunch and breakfast programs, and in the child care center portion of the child care food program.

If the reduced-price category were eliminated, students would then fall into only two categories—free or paid, as in the special milk program. Students eligible for free meals would continue to be treated the same as under the current program—no charge to the student and higher Federal reimbursement to the schools or child care centers furnishing free meals. Treatment of what is now the paying child—those ineligible to receive free or reduced-price meals—would also remain unchanged. The difference would be that the reduced-price category would become part of the paying category. The limitation on meal charges to such children—which exists in the lunch and breakfast programs at 40 and 30 cents respectively—would be eliminated, as would the reduced-price reimbursements currently provided for these meals.

Not many children participate in the programs at the reduced-price level—7 percent in the lunch program, 24 percent in the breakfast program, and 13 percent in the child care food program centers. Such small participation levels may not justify the administrative procedures necessary for operation—for example, separate eligibility determinations and separate reimbursement structures with attendant paperwork.

It can also be argued that children from households with annual incomes between $12,090 and $17,210, current eligibility for a four-person household, do not need the degree of Federal subsidy provided by the existing reduced-price reimbursement level.

According to the Congressional Budget Office, elimination of the Federal reimbursement for reduced-price meals and snacks would result in the following level of savings in the various programs:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—		
	1984	1985	1986
School lunch	220	240	255
School breakfast	10	11	12
Child care food centers	18	21	23
Total	248	272	290

Once again, adding in the day care home component of the child care food program with the assumption that a means test is reimposed would result in additional savings, should reduced-price reimbursement be eliminated:

Savings in millions of dollars

Child care food, day care homes (with reimposed means test):	
Fiscal year:	
1984	55
1985	60
1986	65

For purposes of the estimate, CBO assumed that in the lunch and breakfast programs approximately half of the current reduced-price students would continue participating in the program, although they would do so at the paid rate—with correspondingly higher meal charges—and that the other half would discontinue participation in the programs.

ELIMINATE BOTH PAID AND REDUCED-PRICE SUBSIDIES

A larger budget reduction would be achieved by the elimination of the reimbursements for both the paid and reduced-price categories. Again, such a reduction would not affect subsidies for children from households with incomes below 130 percent of the poverty line—the current eligibility limit for free lunch participation. However, reimbursement would be reduced for meals served to nonneedy children. Less than half of the current lunch program serves students with incomes below 130 percent of poverty, while 84 percent of current reimbursements in the school breakfast program and 66 percent among child care centers participating in the child care food program are for free meals.

The Congressional Budget Office estimates the following levels of savings in various programs from the elimination of both paid and reduced-price reimbursements:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—		
	1984	1985	1986
School lunch:			
Cash and commodities	715	760	180
Cash only	(490)	(525)	(555)
School breakfast	17	18	18
Child care food—centers cash and commodities	30	35	40
Total/cash and commodities	762	813	869

Reestablishment of a means test and the concurrent elimination of both paid and reduced-price reimbursements in the case of the day care component of the child care food program would result in the following savings:

Child care food, day care homes (with reimposed means test):
Fiscal year:
1984 70
1985 75
1986 80

LOWER ELIGIBILITY FOR REDUCED-PRICE ELIGIBILITY

It has sometimes been argued that the current 185 percent of poverty limit for reduced price meals is excessively high, permitting families with incomes considerably above poverty to receive meals with a significant Federal subsidy. For instance, a four-person household at 185 percent of poverty earns $17,210. Critics point out that the eligibility limit has been expanded, first from 100 to 150 percent, then to 175 percent, and as high as 195 percent before being reduced to 185 percent in the Omnibus Budget Reconciliation Act of 1981.

The income eligibility ceiling could be lowered to a number of levels. For purposes of this option, it is lowered to the pre-1974 level of 150 percent of poverty. The only students affected by such a change would be those in households with income between 150 and 185 percent of poverty. Students with household incomes above 150 percent of poverty would most likely pay more than the current maximum meal charge—40 cents for lunch and 30 cents for breakfast.

While this would leave an even smaller reduced-price category than currently exists, some would argue that students from families with incomes just above the free income eligibility level should continue to receive some degree of Federal subsidy, rather than being put into the paid category. The lower limit would, however, remove students with higher family incomes from the current reduced-price category, leaving only those with incomes between $12,090 and $13,950, in the case of a four-person household.

Lowering the income eligibility limits for reduced-price meals and snacks to 150 percent of poverty would have the following budget impact, as calculated by CBO:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—		
	1984	1985	1986
School lunch	140	150	160
School breakfast	5	6	6
Child care food—centers only	12	13	15
Total	157	169	181

REIMBURSE FOR LUNCHES ONLY

Another option for limiting Federal expenditures, while still providing considerable Federal support for nutrition, would be to limit Federal expenditures for children's nutrition programs to provide reimbursement for lunch only. Under such an option, Federal reimbursement for breakfasts and snacks, currently provided under several programs, would be eliminated.

Programs affected by such a reform would be the school breakfast program, which effectively would be eliminated, the child care food program, the summer food service program, and the special milk program, which would also be eliminated. The school lunch program would be unaffected by such a change.

It can be argued that the Federal Government would fulfill its primary nutrition responsibility by subsidizing lunch while eliminating expenditures for meals that can, or should, be provided at home. While the school lunch program is based on the premise that access to the home, and therefore a meal there, is often inconvenient or impossible during the middle of the day, this same argument for Federal funding cannot be made about breakfast which is eaten before the start of the school day. Neither can it be made about snacks which, if desired by the children, could be prepared at home.

Under this option, Federal expenditures would be eliminated for the breakfast program, participation in which is small relative to the lunch program, for snacks available under the child care food and summer food service programs, and for the half pint of milk available under the special milk program.

The estimated Federal savings from such a change, as calculated by the Congressional Budget Office, are shown below:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—		
	1984	1985	1986
School breakfast (eliminated)	356	375	394
Summer food service (lunch only)	15	15	15
Special milk (eliminated)	21.2	21.4	23.6
Child care food (lunch only)—centers	95	105	115
Total	487.2	516.4	547.6

Again, adding in a restriction for lunches only in day care homes in combination with the reimposition of a means test for program participation would result in the following savings:

Savings in millions of dollars

Child care food, day care homes (with reimposed means test):	
Fiscal year:	
1984	70
1985	75
1986	80

15-642 O—83——8

CONSOLIDATE PROGRAMS THROUGH BLOCK GRANTS

One approach to the myriad of nutrition programs within the Department of Agriculture has been to consolidate some of the program's funding and provide a block grant to the States. State officials would then determine which of the existing programs should be continued or modified, or what alternatives they might develop to provide nutrition assistance.

The Reagan administration proposed such a block grant, entitled the "General Nutrition Assistance Grant," for its fiscal year 1983 budget. It was not acted on by either House of Congress. Under the Reagan plan as introduced in the Senate, S. 2991, several categorical programs were proposed in their place, as outlined in the accompanying table. States could have used the block grant funding to finance these or other child nutrition programs.

FUNDING BY PROGRAM AND AS PROPOSED BY ADMINISTRATION—FISCAL YEARS 1981, 1982, and 1983 ESTIMATE

[In millions of dollars]

Programs	1981	1982 (estimate)	1983 current law estimate	1983 administration proposal estimate
School breakfast	[1] 348.7	335.0	383.8	0
Child care food	[2] 340.1	298.4	352.8	0
Summer food	122.6	62.0	63.6	0
Special milk	119.8	23.9	[3] 28.6	0
Nutrition education and training	15.0	5.0	[4] 5.0	0
General nutrition assistance grant (proposed fiscal year 1983)				488
Total	946.2	724.3	833.8	488

[1] Includes $277 million in September 1981 claims that were rolled over for payment from fiscal year 1982 budget authority.
[2] Includes $22.6 million in September 1981 claims that were rolled over for payment from fiscal year 1982 budget authority.
[3] Estimate by Congressional Budget Office. No estimates shown in budget request.
[4] Authorization level. Assumes full authorization will be appropriated.

Source: USDA, Food and Nutrition Service budget request 1983, Feb. 8, 1982 (except as noted).

While the Reagan administration's proposal would have reduced funding by approximately 42 percent, the consolidation or block granting of these child nutrition programs need not require the percentage reductions in spending recommended in the Reagan 1983 budget. For instance, Senators Henry Bellmon and Pete Domenici sponsored legislation in 1979 that does not contain a reduction in funding for these programs which were also included in a block grant, S. 605, the Food and Nutrition Program Optional Consolidation and Reorganization Act of 1979.

Under the modified version of the Bellmon-Domenici bill as passed by the Senate in the Child Nutrition Amendments of 1980, six States had the option of consoldating all nutrition programs, including school lunch, with the exception of the food stamp program.

[NOTE.—As introduced, the bill would have included the food stamp program in the consolidated approach; however, the food stamp program was taken out during committee consideration.]

The legislation was not acted on by the House, however, and did not become law.

It can be argued that consolidation of program funding through mandatory or optional block grants would permit States to direct funds to the programs which best meet the needs of the individual States. The discrepancies in the expenditures for existing individual programs among the States bear witness to the varying needs, which could best be assessed by the States.

BLOCK GRANT ASSISTANCE TO THE TERRITORIES

Another reform proposal made by the Reagan administration for fiscal year 1983 was to provide for block grant funding of the various nutrition programs currently operating in the U.S. territories, exclusive of Puerto Rico. According to the Food and Nutrition Service, the four territories are each currently participating in several of the food assistance programs as follows:

Guam.—Food stamp, school lunch, school breakfast, child care food, and summer food.

Commonwealth of the Northern Mariana Islands.—Commodities in lieu of food stamps for needy families, school lunch, school breakfast, and child care food.

American Samoa.—School lunch and school breakfast.

Virgin Islands.—Food stamp, school lunch, school breakfast, child care food, summer food, and special supplemental food program [WIC].

Nutrition programs in these areas cost approximately $51.5 million during fiscal year 1982. The administration's proposal would have established fiscal year 1983 funding at $43.76 million, representing a 15-percent reduction from the anticipated level of $52.1 million for fiscal year 1983.

The administration made the argument that the categorical feeding programs as operated on the mainland are inappropriate for the insular areas. The administration recommended that funding for all of the programs be consolidated and reduced by 15 percent. This 15 percent was a factor designed to estimate administrative savings from the consolidation. The overall reduction would have reduced spending by approximately $8 million in each fiscal year. Savings for future fiscal years would be approximately the same.

CAP FEDERAL EXPENDITURES

One method of increasing State contributions to the various child nutrition programs would be to cap, or freeze, Federal expenditures at the fiscal year 1983 levels during the next 3 years.

As noted earlier, only one portion of the school lunch program, section 4, currently requires any State matching funds. The capping of Federal expenditures would provide for a gradual assumption of some of the costs by States.

Savings to the Federal Government, and increased State costs, would be approximately as follows:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—		
	1984	1985	1986
School lunch	160	310	475
School breakfast	25	45	65
Child care food	30	65	100
WIC and CSFP	55	110	160
Special milk	(1)	(1)	3
Summer food service	5	10	15
State administrative expenses	1	2	4
Total	276	542	822

[1] Savings less than $1 million.

ELIMINATE FEDERAL ADMINISTRATION OF PROGRAMS

One program reform with negligible budget impact would be to eliminate Federal administration of programs. In past years, States have had the option of administering some of the child nutrition programs, or allowing the Federal Government, through regional offices of the Food and Nutrition Service, to operate the programs.

This has obviously saved States the administrative costs of administering the program and transferred such costs to the Federal Government which already pays all of the benefit costs in the affected programs.

The following chart outlines the States for which the Federal Government is currently operating various child nutrition programs.

STATES IN WHICH VARIOUS PROGRAMS ARE FEDERALLY ADMINISTERED

	Summer food	Child care food	Private schools	Residential child care institutions [1]
Alabama			X	X
Arkansas	X			
California	X			
Delaware			X	
Georgia	X			X
Hawaii	X			
Kansas	X			
Maine			X	X
Michigan	X			
Minnesota	X			
Missouri	X	X	X	X
Nebraska	X	X	X	X
New York	X	X		
North Dakota	X			
Oregon	X	X		
South Carolina	X	X	X	X
Tennessee	X	X	X	X
Virginia	X	X	X	X
Washington	X	X	X	X
Wyoming	X			

[1] Either public or private residential child care institutions.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Congress has recognized what was a growing problem, and in the Omnibus Budget Reconciliation Act of 1981 eliminated any future Federal assumption of programs within States, providing that the Federal Government would not assume any programs which it was not operating as of October 1, 1980. However, Federal involvement in those programs which it was already administering requires significant Federal resources. During fiscal 1982, approximately $2.5 million was allocated to pay for FNS administrative costs in these programs not operated by States. However, the $2.5 million was eventually distributed to the States in the form of additional State administrative expenses, rather than retained by FNS.

ELIMINATE RESIDENTIAL CHILD CARE INSTITUTIONS

Residential child care institutions are a recent addition to the school lunch and breakfast programs, having been added in 1975. Residential child care institutions include many worthwhile child care facilities including orphanages, schools for the mentally and physically retarded, certain children's hospitals, and so forth. However, because their structure is so different from schools, their participation in the program creates considerable administrative and policy difficulties, as attested to by the fact that nine States choose not to administer the program in these institutions, but rather have turned such administration over to the Food and Nutrition Service.

Some have also questioned whether Federal funding provided any additional funding, or merely displaced existing State or private funds. Because the institutions frequently care for more than just the age group served by the programs, there have been audits which indicated the ineligible individuals received meals for which Federal reimbursements were sought. Additionally, other audits have found that because these institutions usually provide 24-hour care, meals other than breakfast or lunch were sometimes submitted for Federal reimbursements. Because of these and similar problems, the institutions consume a disproportionate amount of Federal and State administrative resources.

An additional problem is created when individuals within these institutions attend schools and participate in the breakfast and lunch programs there. Typically, institutions submit lunch and breakfast claims based on the number of eligible residents of the institution, rather than on the number of meals actually served to such residents. Again, the result is overreimbursement by the Federal Government to such institutions.

Federal reimbursement for two meals (when 3 are served) presents the potential for faulty bookkeeping and errors, whether deliberate or accidental.

Some have pointed out that institutions maintain full-time care for individuals and, as such, should be responsible for all meals. This may be especially so with State institutions; approximately half of all institutions are public.

For these and other reasons, the elimination of the residential child care institutions have been discussed as a possible option in both the breakfast and lunch programs. The provision was included in S. 1254, introduced by Senator Helms on May 21, 1981. Elimina-

tion of such facilities would save approximately $40 million in the lunch program and an additional $22 million in the breakfast program, as outlined in the following table:

SAVINGS IN MILLIONS OF DOLLARS

	Fiscal year—		
	1984	1985	1986
School lunch	40	45	45
School breakfast	22	23	24
Total	62	68	69

INDIVIDUAL PROGRAM OPTIONS

The following section deals with options for the individual child nutrition programs described in preceding sections of this committee print.

These options are dealt with in groupings, by individual program. It should be noted that, in most cases, segments of multiple program options described in the previous section are not repeated. This is the case even though it is possible to use those multiple options without applying them to all FNS programs. For instance, treatment of indexing and paid and reduced-price reimbursement rates could be changed in some programs without being changed in them all.

School Lunch Program

ELIMINATE THE 2-CENT DIFFERENTIAL PAYMENT RATE FOR SECTION 4 GENERAL ASSISTANCE

As noted earlier, an additional 2-cent reimbursement rate under section 4 of the National School Lunch Act is available for all meals served in school food authorities in which 60 percent or more of the meals are served to students eligible for free and reduced-price meals.

The Omnibus Reconciliation Act of 1980 introduced the differential reimbursement concept and provided for a 2½-cent differential. This was lowered to 2 cents by the 1981 reconciliation bill.

Schools may receive the added reimbursement for all meals even when as many as 40 percent of students are paying students. Recordkeeping at the State and Federal level to maintain records of schools which may receive the increased funding may prove burdensome and increase overall administrative costs.

It can be argued that the additional payment is paid to schools that already receive the highest levels of Federal reimbursement because higher reimbursements are provided for free and reduced-price lunches.

The Congressional Budget Office estimates that elimination of the differential would save $23 million annually.

Savings in millions of dollars

Fiscal year:	
1984	23
1985	23
1986	23

INDEX THE SECTION 11 REDUCED-PRICE REIMBURSEMENT SEPARATELY

Under current law, the reimbursement for reduced-price lunches under section 11 special assistance, 64 cents, is set at 40 cents less than the reimbursement rate for free lunches, currently 104 cents.

When indexing of reimbursement rates occurs each July, the free rate is indexed, and then the reduced rate is determined by subtracting 40 cents. Having a fixed reduced-price rate set at 40 cents lower than the free rate means that, when indexing occurs, the effective subsidy for the reduced-price lunch grows at a far greater rate than would be the case if its own, lower rate were indexed separately. The reduced-price rate under current law grows faster than the inflation rate.

For example, if one assumes a 5-percent inflation rate, the free lunch rate will be indexed on July 1, 1983, from the current 104 cents to 109 cents per lunch. The reduced-price reimbursement rate is increased by subtracting 40 cents from the indexed free rate—now 109 cents—thus, providing a reduced-price reimbursement rate of 69 cents per lunch. That increase, however, represents a 7.8-percent increase in the reduced-price reimbursement rate—rather than the 5-percent inflation rate. If instead, the 64-cent reduced-price rate had been indexed separately, the 5-percent inflation indexing would have yielded a new reimbursement rate of 67 cents, or 2 cents less than is provided under the current system. Over the years, the reimbursement rate for reduced-price meals will grow at a faster pace than will other reimbursement rates.

[NOTE.—Also under current law, the maximum price that may be charged for a reduced-price lunch is 40 cents. There is no maximum for charges on paid lunches, and no charge may be made for free lunches. This 40-cent level was established in the Omnibus Budget Reconciliation Act of 1981. The level was an increase from the previously existing maximum of 20 cents per lunch. The 40-cent figure was set because it is the difference between the free reimbursement rate (currently 104 cents) and the reduced-price rate, which, by statute, is 40 cents less than the reduced-price rate (currently 64 cents). A confirming change would be to set the maximum reduced-price meal charge at the difference between the free and reduced-price reimbursement rates.]

The savings from such a change are demonstrated in the following table furnished by the Congressional Budget Office. It should be noted, however, that savings could be more substantial if inflation were to be higher than is currently expected.

Savings in millions of dollars

Fiscal year:	
1984	6
1985	12
1986	18

IMPROVE VERIFICATION OF INCOME STATUS FOR FREE AND REDUCED-PRICE LUNCHES

As with many programs which rely heavily on income reporting to determine eligibility, the school lunch program has been subject to abuse.

In audits conducted within the past several years, the Office of Inspector General of the Department of Agriculture has repeatedly found significant numbers of cases in which individual students did not qualify for the free or reduced-price lunches which they had been receiving.

During May 1980, USDA's Office of Inspector General conducted an audit of free and reduced-price lunch applications in 220 randomly selected public and private schools. The results of that audit indicated that close to 30 percent of all approved applications contained incorrect income or household information which resulted in applicants receiving benefits to which they were not entitled. OIG projected that such an error rate may have cost the Federal Government as much as $171.5 million for the 1979–80 school year.

In its February 1981 report on the prior May audit, OIG recommended that the data submitted on applications for free and reduced-price lunches be verified:

> We believe our review shows the need for verification and that the pilot projects, while they may be helpful in working out the mechanics for verifying the information, are not necessary to justify the need to verify at least income.

The semiannual report of the OIG for the 6 months ending March 31, 1981, further recommended that:

> School food authorities be required to use standard nationwide or statewide free and reduced-price application forms which require all adult members of a household to furnish their sources of income and social security numbers. FNS should seek the legislative authority to obtain social security numbers. The Department's current legislative package which was submitted to Congress for consideration requests legislative authority to obtain parent or guardian social security numbers on applicant forms.
>
> State agencies or school food authorities be required to routinely verify family income on free and reduced-price applications by computer matching techniques. The Department's current legislative package before Congress requests legislative authority for computer income verification.
>
> FNS clarify the method to be used in determining a household's annual income and who is to be counted in determining family size.

The Omnibus Budget Reconciliation Act of 1981 incorporated a number of the recommendations urged by the Inspector General. Social security numbers were required for all students and members of their families. Administrative authority was granted to the Secretary to begin requiring improved verification of family income data. Additionally, the Congress eliminated the previous requirement that had allowed the eligibility guidelines for free lunches to be printed on the application. Rather, only reduced price income eligibility guidelines are now permitted on the application.

Nevertheless, income verification continues to be a problem in the school lunch program. During hearings conducted by the

Senate Subcommittee on Nutrition in February of 1982, the OIG discussed the possibility of combining income verification of the school lunch program with the existing income verification in the food stamp program.

The OIG has suggested that welfare offices would be better equipped to handle the improved verification which OIG feels is needed in this program. Current estimates are that approximately 62 percent of students receiving free lunches, eligibility under 130 percent of poverty, are from families that are also on the food stamp program.

Welfare offices could be set up to handle income verification in both programs. Beginning January 1, 1983, computer matches are required between food stamp applications and employment wage information submitted by employers. In about 37 States such information is reported quarterly; in the remaining States it is available annually. The availability of such computerized information would greatly aid in the verification process of the school lunch program as well, according to the OIG. The use of computerized wage information in the school lunch program could be made administratively much more simple if such improved verification were structured so as to coordinate or possibly consolidate with existing food stamp verification.

In previous years, eligibility for school lunch was essentially self-declaring inasmuch as the family reported income, but there was no attempt at verification. The OIG reported that applications for free lunches have already declined as a result of the requirement for social security numbers and the inclusion of a statement on the application warning applicants that income information is subject to verification.

No CBO estimates were requested for this proposal inasmuch as such estimates would be based on specifics of day-to-day verification procedures. These would have to be worked out with the Department of Agriculture in consultation with the Office of Inspector General.

USE HISTORICAL RECORD FOR COMMODITY ASSISTANCE

As noted earlier, the commodity assistance provided through the school lunch program is based on estimates furnished by each State at the beginning of the school year.

USDA purchases the commodities for distribution in the school lunch program based on these initial submissions. However, revisions may be made during the school year to reflect changes from the projected estimates. Since the amount of commodities to be distributed is usually determined at the beginning of the year, the State may have received proportionately more or less than its revised figures would warrant.

The Department has occasionally had to purchase more commodities in order to insure that minimum levels of commodities are distributed to each State in those cases where too few commodities have been made available—adding to the cost of the program. If too much has been purchased and distributed, Federal dollars are wasted. Some States may regularly overestimate their lunches in

order to receive a higher allotment of commodities, and the State is not required to repay the Federal Government.

Several alternatives to address these problems are available. One would be to base commodity distribution on actual participation levels in the previous year. This would reduce the likelihood of massive overdistribution of commodities. While some States might have declining school lunch participation, this formula would tend to even out distribution—providing more stability and predictability to both the Federal Government and State agencies.

A second alternative would be to provide that the value of any excess commodities received by a State be subtracted from section 4 cash assistance to be distributed to the State. Therefore, the Federal Government would be protected against overstatements of participation. States that underestimate would receive either commodities or cash in lieu of commodities to compensate for underestimates.

School Breakfast Program

ELIMINATE THE SEVERE NEED SUBSIDIES FOR FREE AND REDUCED-PRICE BREAKFASTS

The percentage of schools which have been designated as "severe need" and therefore eligible for the higher reimbursement rates, has increased since the establishment of the "severe need" designation in 1973. This enhanced reimbursement funding was intended to assist new schools entering the breakfast program and schools with high percentages of students eligible for free and reduced-price meals.

Inasmuch as State agencies were originally authorized to establish their own eligibility criteria for the designation of severe need, many agencies chose the least restrictive guidelines in order to receive the highest level of reimbursement available in the program. Thus, in some cases, the criteria many not have accurately reflected need. The Omnibus Budget Reconciliation Act of 1981 effectively eliminated the allowance for States to set criteria, and by July 1, 1984, the only criteria that will qualify a school for severe need will be that a minimum of 40 percent of lunches are served free or at a reduced price and the regular reimbursement rate is insufficient to cover the cost of the program.

To a large extent, it can be argued that the severe need funding has achieved the goal of assisting new schools into the breakfast program. Given this, as well as the higher lunch payments, the 2-cent differential, for schools with over 60 percent of lunches served at free and reduced-price levels and the protection of the free program from previous budget cuts, it may now be appropriate to consider eliminating severe need funding. Given the fairly stable growth pattern in more recent years—even with severe need funding encouragement—it may be that as many schools as plan to offer a breakfast program have done so, and thus there is no need to continue the "incentive funding."

Elimination of severe need reimbursement rates would establish one unified level of funding for the school breakfast program. Such a change would allow for the elimination of cost-based accounting

required for severe need schools and would be consistent with the 1981 legislation which eliminated cost-based accounting in other nutrition programs. Currently, the severe need portion of the breakfast program is the only child nutrition program which continues to require cost-based accounting. Cost-based accounting continues to be required for severe need payments because of the need to show that the regular rate is insufficient to cover the costs of the program. Other programs have become performance-based—that is, a meal served will receive a specified Federal reimbursement, regardless of the cost of preparation.

The impact on individual schools currently receiving severe need funding would be offset by the reduced expense in recordkeeping which would result from a conversion to the regular rates. The proposal for eliminating severe need funding was included in S. 1254, introduced by Senator Helms on May 21, 1981.

The elimination of the severe need funding would save the following, according to estimates from the Congressional Budget Office:

Savings in millions of dollars

Fiscal year:	
1984	35
1985	35
1986	40

ELIMINATE PARTICIPATION BY JUNIOR AND SENIOR HIGH SCHOOLS

As noted earlier, participation in the school lunch program declines among older children, and among schools serving older children.

One means of reducing the cost of the program would be to target benefits to younger schoolchildren. This could be accomplished by eliminating the eligibility of junior and senior high schools which constitute 13 percent and 14 percent of all participating schools in the school breakfast program.

The Congressional Budget Office estimates that the savings resulting from elimination of participation by such schools would be as follows:

Savings in millions of dollars

Fiscal year:	
1984	95
1985	100
1986	105

CHILD CARE FOOD PROGRAM: CHILD CARE CENTERS

ELIMINATE FOR-PROFIT CENTERS

The Omnibus Budget Reconciliation Act of 1981 reduced the number of for-profit centers that could participate in the program by providing reimbursement only for those where Federal funding through title XX of the Social Security Act is received for at least 25 percent of children participated in the center. The Senate-passed version of the 1981 Reconciliation Act had proposed elimination of all for-profit centers, as did the House Budget Committee assumptions underlying the First Concurrent Budget Resolution.

Elimination of for-profit centers would establish consistency across all child nutrition programs. Nonprofit status is required of all other schools and institutions participating in other FNS programs. Elimination of all for-profit centers would save an additional $3 to $4 million per year according to the Congressional Budget Office.

Savings in millions of dollars

Fiscal year:	
1984	3
1985	4
1986	4

Child Care Food Program: Day Care Homes

ELIMINATE DAY CARE HOMES

In 1982, the administration essentially recommended the elimination of the day care home component of the child care food program. This was the effect of the proposal to block grant the school breakfast program with the child care food program, excluding day care home costs, at 80 percent of the projected costs of those programs.

This program is projected to grow at a faster percentage rate in the next 5 years than any other child nutrition program. CBO projects approximately 50 percent growth between 1983 and 1988, from $101 million to $154 million.

Inasmuch as 76 percent of the children served under this program are from families with incomes above 130 percent of poverty, and in view of overall fiscal restraints, there may be no need to continue Federal funding for this program.

Those who are participating represent less than 7-8 percent of children in day care homes, and only one-fourth of those are below 130 percent of poverty. The adverse effect on such families would be offset by the fact that such families are already eligible for and may be participating in the food stamp program. Additionally, the adverse effect could be minimized by the transfer of such children into participating child care centers.

Savings from total elimination would be as follows:

Savings in millions of dollars

Fiscal year:	
1984	110
1985	120
1986	130

REESTABLISH A MEANS TEST

If day care homes are to remain in the program, the reinstitution of a means test—similar to that in effect prior to May 1980, and to that used in the child care centers—may be an appropriate means of targeting Federal funds based on the actual financial needs of recipients. This is the recommendation of the Office of Inspector General if the program is to be continued.

This would have the effect of making reimbursement rates for day care homes compatible with those for child care centers and school breakfast and lunch programs as well.

The Congressional Budget Office indicates that the reinstitution of such a means test—assuming participation levels among income groups as reported earlier, 64 percent paid, 11 percent reduced price, and 25 percent free—would result in the following level of savings over the next 3 fiscal years:

Savings in millions of dollars

Fiscal year:	
1984	45
1985	50
1986	55

ESTABLISH A BLENDED RATE BASED ON CHANGES IN PARTICIPATION

A third option would be to replace the existing fixed reimbursement rates with a new, uniform rate which reflects the dramatic changes that have occurred in the income composition of the current population served by day care homes.

A blended reimbursement rate based on the child care food program rates for paid, reduced price, and free meals and snacks, and reflecting the current population composition, could result in rates more appropriate to the current distribution.

This option could include the authority of the Secretary of Agriculture to adjust the blended rate to reflect further changes in the income composition of those served by the day care homes.

The "blended rate" method would be an easier option to manage—by providers, sponsors, and State and Federal officials. However, it still continues a significant subsidy to the 76 percent of the population who participate and who have incomes above 130 percent of poverty.

No CBO estimate is provided; savings would be based on the level of rates established under a blended rate system.

Child Care Food Program: Child Care Centers and Day Care Homes

COMBINE CHILD CARE FOOD PROGRAM WITH OTHER CHILD CARE PROGRAMS

Because there are other Federal programs for preschool children, one possibility would be to combine the current child care food program with these other child care programs, which are administered primarily by the Department of Health and Human Services.

It has been argued that having all such programs administered by the same Federal agency would enable Congress and the administration to have a better overall picture of the Federal benefits being received by such child care institutions. Under the present system, there is concern that several programs may be providing funding for similar or identical purposes, thereby unnecessarily increasing Federal expenditures.

The Head Start program and title XX funds are two possible areas with which the child care food program might be consolidated.

Summer Food Service Program

ELIMINATE THE SUMMER FOOD SERVICE PROGRAM

The Reagan administration recommended the elimination of the summer food service program in both 1981 and 1982; its elimination was included in the Senate-passed version of the Omnibus Budget Reconciliation Act of 1981. The House Budget Committee had included an assumption in its first concurrent budget resolution that the program would be eliminated. However, the Gramm-Latta version which passed the House did not contain elimination. In conference with the House, the program was preserved by a compromise eliminating private sponsors other than schools, with the anticipation that the program would cost $57 million during fiscal year 1982. As noted earlier, however, fiscal year 1982 costs were approximately $89 million.

Alternatives for the future of the program include, again, the total elimination of the program. Because the program does not set individual income criteria, there is no data currently available for determining whether poor children are the primary users of the program. There has also been no means of determining what alternative programs the same children may be using or have available to them in addition to the summer food service. The program is difficult to administer effectively as evidenced by the reluctance of States to administer it directly in over one-third of the States. Total elimination would save the following amounts:

Savings in millions of dollars

Fiscal year:	
1984	99
1985	105
1986	110

LIMIT PARTICIPATION TO SCHOOLS ONLY

The General Accounting Office [GAO] has consistently recommended that schools are preferable locations for summer food service operations. This is because school cafeterias offer better food storage and/or service facilities. The GAO and the Office of Inspector General of USDA have both recommended that schools be used increasingly as the sites for summer food service programs. Schools already serve 41 percent of all meals served in the program. Limiting participation to schools only would primarily serve to improve the integrity of the sites and the sanitary serving and storage conditions, with a budget impact of $60 million annually.

Under an amendment offered by Senators Dole and Leahy to the 1981 Reconciliation Act, only school food authorities would be eligible to participate in the summer food service program. The amendment was accepted during Senate consideration of the 1981 Reconciliation Act by the full Senate, but was not included in the final Reconciliation Act.

[Note.—The schools only provision was a 1-year provision with total elimination, mentioned earlier, scheduled for fiscal year 1983 unless further action was taken to extend the program.]

Savings from limiting participation to schools only are as follows:

Savings in millions of dollars

Fiscal year:
1984 60
1985 60
1986 65

ADJUST REIMBURSEMENT LEVELS IN THE SUMMER FOOD PROGRAM

Another reform option would be to reduce reimbursement levels more in line with the other FNS nutrition programs. Currently, school lunch and child care food programs are reimbursed for free meals at a basic rate of 126.5 cents per lunch, including commodities, 60 cents for breakfast, and 35.25 cents per snack, in the case of the child care food program only. The following table outlines the differences in existing reimbursement rates:

COMPARISON OF 1983 SUMMER FOOD SERVICE RATES WITH OTHER FOOD AND NUTRITION SERVICE REIMBURSEMENT RATES—JULY 1, 1982–JUNE 30, 1983

[In cents]

	Maximum reimbursements			Total maximum (operating and administrative)		Free rates in school lunch, breakfast and child care food programs	Difference	
	Operating	Administrative						
		Rural and self-preparation	Other	Rural and self-preparation	Other		Rural and self-preparation	Other
Lunch/supper	140.50	13.25	11.00	153.75	151.50	[1] 126.50	[2] 27.25	[2] 25.00
Breakfast	78.25	7.25	5.75	85.50	84.00	[3] 60.00	[4] 25.5	[4] 24.00
Snack	37.00	3.75	2.75	40.75	39.75	35.25	5.50	4.50

[1] Includes commodities. Reimbursement rates are 2 cents higher in schools where 60 percent or more of children are eligible for free and reduced price school lunches.
[2] Differences in reimbursement rates using the 2 cent differential would be 25.5 cents in self-preparation and 23 cents for others.
[3] Severe need schools have a reimbursement rate of 72.25 cents per meal. Severe need schools are those which cannot afford to serve free and reduced price breakfasts at the regular reimbursement rate, because over 40 percent of the children are eligible for free or reduced price lunches, because of unusually high preparation costs of local hardships, or because they are required by State law to operate a school breakfast program.
[4] Differences in reimbursement rates using the severe need reimbursement rates would be 13.25 cents for self preparation and 11.75 cents for others.

Reducing the summer food service reimbursement rates to the basic reimbursement rate level of other child nutrition programs would result in savings of between $4 and $9 million per year.

Savings would vary according to when indexing would occur. For example, the savings resulting from the reimbursement rates outlined above are as follows:

Savings in millions of dollars

Fiscal year:
1984 8
1985 9
1986 9

However, if the new summer rates were indexed in July—as are the school program rates—rather than January, as they are now, the savings would be reduced somewhat as outlined below:

Savings in millions of dollars

Fiscal year:
1984 4
1985 5
1986 5

INSTITUTE A MEANS TEST

One means of targeting benefits to low-income children would be to establish a means test for individuals participating in the summer food program. Current geographical eligibility does not necessarily limit program participation to low-income children. In the existing program, only 14 percent of meals to children in camps are reimbursed based on income eligibility. Application of the principle to other children may be feasible. This could be especially true if sponsor participation were limited to schools, as noted in an earlier option. The process of recordkeeping from the regular school year through the summer would be administratively simple; children who receive free (or free and reduced price) lunches could be deemed eligible for summer food service program participation. Because no data on income distribution of present participation is available, CBO was unable to determine a specific savings resulting from such a change.

CAP OR FREEZE EXPENDITURES

Another means of reducing the increasing Federal cost of the program would be for the Federal Government to "cap" total Federal expenditures at a certain level. For instance, future spending might be limited to the fiscal year 1982 level—approximately $89 million. The Federal Government would pay only up to the fiscal year 1982 level to each State. Expenses above that level would have to be borne by the individual States or nonprofit organizations. According to CBO, savings would be as follows:

Savings in millions of dollars

Fiscal year:	
1984	10
1985	16
1986	21

DESIGN FORMULA TO PATTERN SCHOOL LUNCH PARTICIPATION

Because program participation is so heavily concentrated in several urban areas—over 26 percent of the program is in New York, California, and Pennsylvania—some formula might be developed to provide individual State ceilings more in line with school lunch participation in the free and reduced price categories. This ceiling could be applied in the form of a cap on Federal reimbursements to individual States or through allocation of block grant funds to individual States, but based on school lunch participation rather than historical summer food service records. This option could most readily be applied in conjunction with a ceiling on overall Federal expenditures such as listed above.

Special Milk Program

ELIMINATE THE SPECIAL MILK PROGRAM

As noted earlier, two administrations have recommended that the special milk program be eliminated. Even with the changes made to the program as a result of the reconciliation acts of 1980

15-642 O—83——9

and 1981, the program continues to provide Federal assistance without regard to need.

In addition to eliminating the Federal subsidy for nonneedy children, elimination of the special milk program may cause schools that are not now participating in the national school lunch program to do so in order to provide greater service to needy children--as well as nonneedy children.

Total elimination would save the following:

Savings in millions of dollars

Fiscal year:	
1984	21.2
1985	21.4
1986	23.6

ELIMINATE PAID CATEGORY

Another alternative would be to eliminate the "paid category," and continue the special milk program only for the small percentage of participating children deemed to be in need—that is where household income is at or below 130 percent of the poverty level. Such a reform would save approximately $60 million over the next 3 fiscal years as outlined below:

Savings in millions of dollars

Fiscal year	
1984	19
1985	20
1986	21

ROLLBACK INDEXING OF PAID REIMBURSEMENT

Another, more modest, means of reducing the cost of the program would be to eliminate the indexing of the reimbursement on behalf of the paying student. Rolling back the reimbursement to the 5 cents per half-pint level, without subsequent indexing, would save approximately $9 million in fiscal year 1984 and $29 million over the next 3 years as outlined in the following table:

Savings in millions of dollars

Fiscal year:	
1984	9
1985	9
1986	11

Special Supplemental Food Program for Women, Infants, and Children, Commodity Supplemental Food Program

The Congressional Budget Office estimates that the special supplemental food program for women, infants, and children will cost approximately $3.3 billion during the next 3 fiscal years if the program continues to maintain its present rate of participation. In order to provide nutritional and health care during critical times of infant children's growth and development while maintaining fiscal responsibility, the following alternatives have been included.

Because the program is not an entitlement, program expenditures could be reduced simply by lowering the appropriations levels. Independent from budget reductions, or in conjunction with

them, proposals are included which are designed to target benefits to the most needy applicants. In some cases, changing eligibility standards may not result in any net budget savings because savings attributable to a change would be offset by increased participation levels among those who remain eligible. For instance, lowering the income eligibility level would result in initial savings; however, these might be offset by increased participation among applicants who remain within the eligible population. For this reason, no CBO budget estimates are available for the individual options contained in this section regarding the WIC and CSFP programs.

BLOCK GRANT WITH MATERNAL AND CHILD HEALTH

For fiscal year 1983, as noted earlier, the Reagan administration proposed elimination of Federal funding for the categorical special supplemental food program and the commodity supplemental food program. Services provided by these programs would have been made available by revision of, and additional funding for the maternal and child health block grant [MCH]. Under the proposal, $625.5 million would have been added to funds provided to MCH, increasing MCH's total fiscal year 1983 budget to $1 billion. States would have been permitted to use funds for the broad purpose of improving maternal and child health by using the funds for health or nutrition services.

The revised MCH block grant program would have been adminstered by the Department of Health and Human Services. States would have been allowed to determine the service they wished to provide mothers and children and to determine eligibility standards and benefit levels.

The proposal to fold SSFP and CSFP into the MCH block grant is consistent with the emphasis on maternal and child health care in the authorizing statutory language for SSFP; SSFP's stated purpose is to serve as an adjunct to good health care, to prevent health problems, and to improve the health status of poor women, infants, and children.

The concept of joint funding with similarly related health programs was also included as an option in a study done by the Congressional Budget Office in May 1980.

It should be noted that conceptually, the idea of consolidation has been supported by several program coordinators from the States. However, the consolidation in combination with a 26-percent reduction in funding was widely opposed by the States.

The high administrative costs of the existing program, 20 percent, $193 million in fiscal year 1982, makes consolidation attractive from the Federal perspective. Inasmuch as federally funded administrative costs of a separate program are high, however, some Federal savings could be expected from a merger. A consolidated block grant which would reduce overall Federal expenditures by a lesser amount might attract greater State interest.

It should be noted that the maternal and child health block grant has a requirement for State matching, while the proposed consolidation grant did not. Some observers of the programs were concerned that the elimination of the State matching requirement—currently 3 State dollars for every 4 Federal dollars—would

result in States eliminating their contributions, or reducing them, to such an extent that overall funding for the child and maternal health and nutrition purposes would be reduced further than the apparent 26-percent reduction of the administration's proposal.

One means of alleviating this concern would be to replace the current $3 for $4 MCH grant with a consolidated grant requiring a State contribution of $3 for every 10 Federal dollars. This configuration presumes the 26-percent reduction in funding; if there were a lower level of reduction, for instance a 10-percent reduction in overall funding, a lower State match—approximately 1 State dollar for every 4 Federal dollars—would maintain approximately the same State contributions as now exist.

The matching requirements would have no impact on Federal expenditures, but would ensure that States do not reduce the existing expenditures made through the maternal and child health block grant in the event of a consolidation with SSFP and CSFP.

LOWER INCOME ELIGIBILITY LIMITS

Another program change, which may result in savings or, at a minimum, target benefits to poorer individuals would be a revision in income eligibility standards for participation in SSFP. States may now set the income eligibility limit at no less than 100 percent of poverty and no more than 185 percent of poverty. A lower limit could be set anywhere. For purposes of this discussion, we will use 130 and 150 percent of the poverty level are needed.

There are at least two justifications for a change to 130 percent. The first is contained in section 17 of the Child Nutrition Act of 1966 which authorizes the special supplemental food program. The statute explains that the program is supplemental to the food stamp program. Therefore, food stamp recipients are the group of individuals which Congress intends to receive the benefits of the special supplemental food program. For those other than elderly or disabled, income eligibility for food stamps is set at 130 percent of income poverty guidelines, therefore, income eligibility for supplemental benefits could be set at the same level, providing consistent eligibility guidelines.

A second justification for setting income eligibility at 130 percent is an interest in uniform standards for free assistance in the nutrition programs. School lunch, school breakfast, child care centers, food stamps and special milk all have established 130 percent of poverty as the income ceiling for free participation. Participants in these programs who have higher incomes are either not eligible or must pay a full or reduced price for benefits.

An identical change in CSFP also would be consistent.

The savings from this adjustment in the SSFP and CSFP programs are uncertain. The priority system established in the current regulations may result in lower income applicants being served first, but there is no guarantee that they will. A lower income cutoff would ensure that Federal benefits are focused on the most needy.

Another variation on the same concept would be reduction in the gross income eligibility ceiling to 150 percent of poverty. This would lower the income somewhat for approximately 45 States.

Five States already have income eligibility ceilings set at 150 percent of poverty.

ESTABLISH REDUCED PRICE ELIGIBILITY

It has been pointed out that in most other child nutrition programs, recipients above 130 percent of poverty must contribute some of their income for participation in the program. However, in the WIC and CSFP programs no contribution is required of the population between 130 and 185 percent of poverty.

One option would be to establish a fee for participation of those individuals. Such a fee would also serve to encourage greater participation among the lower income groups while requiring higher income individuals to contribute toward the cost of their participation.

As noted previously, there is no assurance that a lowering of income eligibility criteria will result in any savings. None would result if additional low-income women and children come into the program. While higher income individuals would be eliminated, there may be no net change in Federal expenditures, although those expenditures would be targeted toward a lower income population.

LOWER MAXIMUM AGE LIMIT FOR CHILDREN

Another possible adjustment which may or may not have a budget impact is to lower the maximum age limit which is currently up to age 5 in SSFP and up to age 6 in CSFP.

Though the priority system may provide some degree of assurance that infants and younger children are served first, this is not guaranteed nationally.

Medical and nutritional experts believe that good nutrition is most important during the first several years of life. The possibility of lowering the age requirement was raised at oversight hearings held by the Subcommittee on Nutrition in February 1982. Experts concurred that nutrition, and the benefits of the program, were especially important during the first 2 years of life.

While information is available on the total number of children aged 1-5 participating in the program—50 percent of all program participants—there are no national figures on the individual ages of children participating within this age range.

Lowering the age to 2 or 3 in both SSFP and CSFP would target benefits to young children during the years when good nutrition is especially important.

Children above age 2 or 3, if removed from eligibility, would continue to be eligible for participation in the child care food program which also provides nutritional assistance to predominantly preschool children.

LIMIT PARTICIPATION TO SPECIAL SUPPLEMENTAL FOOD PROGRAM OR CHILD CARE FOOD PROGRAM

Another option would be to preclude participation by children in both the WIC program, which permits participating children up to

age 5, and the child care food program, which permits by children up to age 12.

It is not known how many children receive benefits under both programs. However, given the high priority for mothers and infants in the WIC program, lower priority groups, such as small children who are receiving benefits under another nutrition program could be eliminated from WIC participation. The most likely program in which such children would be participating would be the child care food program.

As with other options, such a reduction would permit a retargeting of benefits to higher priority WIC participants.

REDUCE ADMINISTRATIVE FUNDING

Current law establishes that 20 percent of funds be used for administrative costs in SSFP and 15 percent of the amount appropriated for the provision of commodities to State agencies in the CSFP.

The percentage of funding which is permitted for administrative purposes in these two programs is the highest of any Food and Nutrition Service program.

Currently, administrative costs include costs associated with nutrition eligibility certification, monitoring, startup costs of new programs, printing costs for eligibility vouchers, and staffing costs.

Administrative funding for SSFP was originally 10 percent when the program was begun, and legislation in 1975 increased this to 20 percent.

A reduction in administrative funding from the current 20 percent to 15 percent would save approximately $50 million per year. A reduction to the original level of 10 percent would save approximately $100 million per year.

To offset the loss of Federal administrative funds, some of the federally imposed administrative requirements could be reduced and/or States could be required to provide matching funds for administrative costs. Some potential reductions in current administrative requirements, identified by the Library of Congress, include:

> Elimination of annual State plan requirement and substitute either a biennial requirement, or a requirement that only revisions or changes in the State plan be submitted;
>
> Require quarterly instead of monthly participation and financial data reporting; or
>
> Eliminate dual recordkeeping requirements where recipients receive both SSFP and health services from the agency.

Such changes could help State and local agencies absorb some of the loss of Federal administrative funding. Other current requirements which could be eliminated would be the outreach activities designed to expand participation and the requirement that one-sixth of administrative funding be spent on nutrition education and that fair hearings be held for denial of benefits—even when the denied individual is categorically ineligible, such as children over

age 5, women who are neither pregnant nor mothers, men, et cetera.

Another option identified by the Library of Congress, which could be undertaken independently, or in conjunction with a reduction in Federal administrative reimbursements, would be to require a State match for administrative funds. For example, if Federal administrative funding were reduced from 20 to 15 percent of total funds, a State matching requirement of $1 for each $3 in Federal funds would make up the difference. The fiscal year 1983 savings from such a reduction would be approximately $51 million, which is the same amount the States would have to provide under a 1-to-3 matching requirement. If administrative funding were reduced to 10 percent of total funds, Federal savings would be approximately $102 million in fiscal year 1983, which could be replaced by the imposition of a 1-for-1 State matching requirement.

DIRECT DISTRIBUTION OF INFANT FORMULA

According to the September 1982, report by the Office of Inspector General of USDA, significant savings could be achieved by national conversion to direct distribution of infant formula.

The largest part of the current budget, is spent for infant formula, the largest single food item purchased under the program.

The OIG reported that infant formula costs were 53 to 68 cents per 13-ounce can higher in retail stores than for similar size cans purchased directly from manufacturers.

The OIG recommended that FNS implement a nationwide direct purchase and distribution system for infant formula, contending that to do so—based on their audit findings—could result in significant savings or permitting program expansion.

As noted in the program description, FNS has questioned these findings and the advisability of mandating nationwide direct distribution. There may be some degree to which direct purchase and distribution of infant formula would be practicable and budgetarily sound in certain areas.

ESTABLISH NATIONAL NUTRITIONAL RISK DEFINITION

The General Accounting Office recommended in 1979 that the Food and Nutrition Service work to develop uniform standards and criteria for determining what constitutes bona fide nutritional health risk for different categories of program participants. No such clarification or strengthening of the definitions has been issued.

The General Accounting Office had recommended that such work be undertaken in collaboration with what is now the Department of Health and Human Services and recognized professional groups such as the American College of Obstetricians and Gynecologists and the American Academy of Pediatrics to develop uniform criteria.

The General Accounting Office noted that "Such criteria should be uniformly applied across the board to ensure equitable and consistent treatment of the program's target population."

As GAO noted, under the current system of varying definitions of nutritional risk,

* * * an applicant considered to be at nutritional risk, and eligible for the program in one State could be considered not at nutritional risk and therefore ineligible in another State—depending on the criteria applied.

ELIMINATE GEOGRAPHICAL DUPLICATION BETWEEN WIC AND CSFP

As noted in the program descriptions, both the WIC and CSFP programs are designed to serve pregnant women and mothers, their infants, and children are permitted to operate in the same geographical area although participation in both programs is prohibited.

Because of the high administrative costs of both programs—20 percent in the WIC program and 15 percent in the CSFP—one possible option would be to restrict the CSFP to only those areas in which the WIC program is not operating. No savings would result if there were a corresponding increase in the WIC program in those areas where CSFP was eliminated. However, this would ensure that the maximum amount of funds are targeted to actual recipients rather than being used on duplicative administrative costs.

Nutrition Education and Training [NET]

ELIMINATE NET GRANTS

The Reagan administration has twice recommended the elimination of the NET program. Instead, Congress reduced its funding to the present level of $5 million.

It was argued that the program has met the original objective of encouraging curriculum development of nutrition education. Having succeeded, it could be eliminated.

Savings would be as follows:

Savings in millions of dollars

Fiscal year:	*Amount*
1984	5
1985	5
1986	5

State Administrative Expenses

ELIMINATION OF STATE ADMINISTRATIVE EXPENSES

The program was initiated in 1966 to provide additional Federal funding to assist States in providing technical assistance and supervision of the child nutrition programs. Now that operation of the program is well underway, it may be questionable how necessary is the continued Federal funding of such activities, particularly technical assistance. Federal funding may be merely substituting for State dollars which otherwise would be spent on statewide administration.

States operated the school lunch program without such Federal expenditures prior to 1966, and would likely be able to do so again. Elimination of Federal funding for State administrative expenses would save $48 million in fiscal year 1984, as outlined below:

Savings in millions of dollars

Fiscal year:	*Amount*
1984	48
1985	49
1986	51

EXPENSES BASED ON FREE OR BOTH FREE AND REDUCED-PRICE LUNCHES ONLY

Because the majority of expenses incurred by States are associated with the largest of the child nutrition programs, the school lunch program, it may be reasonable to use that program as the sole basis for State administrative expenses—if such expenses continue to be reimbursed by the Federal Government. Such a proposal would reduce the complexity of the calculation of the State administrative expenses.

To make administrative expenses reflect the proportion of needy students only, it may be appropriate to base any reimbursement on the number of free or both free and reduced-price lunch meals served. Such a reform would make the program more needs-based, rather than providing across-the-board funding.

CAP OR SET AUTHORIZATION LEVEL FOR STATE ADMINISTRATIVE EXPENSES

Another method for increased simplification and budget savings would be to set an authorization ceiling, and then apportion individual State allotments according to historic participation records. For instance, a set authorization level of $20 million would save $28 million in fiscal year 1984. That amount could then be distributed to the individual States based on previous participation records. If a State had received 1.5 percent of the total SAE in the previous fiscal year, it could receive 1.5 percent of the $20 million.

This option could be combined with the above option, using school lunch participation as the sole determinant of State administrative expenses.

GENERAL ISSUES FOR CONSIDERATION

The following sections deal with general characteristics about the child nutrition programs which may attract future congressional attention, but for which specific legislative options have not been included in this committee print.

Multiple Program Participation

As noted in the preceding descriptions of eligibility criteria, in only two instances does participation in one FNS program preclude participation in another program. Since 1982, schools or other eligible institutions that participate in the special milk program may not participate in any other Federal meal service program—school breakfast, school lunch, child care food, or summer food service. Additionally, an individual may not participate simultaneously in the special supplemental food program for women, infants, and children and in the commodity supplemental food program.

In all other situations, eligibility for, or actual participation in, one program in no way restricts eligibility or participation in another program.

While this committee print has not focused on the food stamp program, also administered by the Food and Nutrition Service, the same is true—participation in any child nutrition program does not preclude participation in the food stamp program, or vice versa.

The food stamp program is generally available to families who meet a 130 percent of poverty gross income test, as well as other criteria regarding assets and work registration which are not imposed in child nutrition programs. Additionally, there is a higher poverty level income eligibility standard for households containing an elderly or disabled member in the food stamp program.

For instance, there is no restriction preventing schoolchildren in a family from participating in one or both school meal service programs even if the family receives food stamps. Food stamp benefits are predicated on three meals prepared, though not necessarily eaten, at home. For students who receive both food stamps and free school lunches, the Federal Government partially subsidizes four rather than three meals each school day. Indeed, the estimate from the Department of Agriculture is that approximately 35 percent of all food stamp households contain students who participate in the school lunch program or, conversely, that 62 percent of children receiving free lunches are from families receiving food stamps.

[Note.—The Reagan administration proposed in its fiscal year 1982 budget to eliminate this situation by reducing food stamp benefits to families with students in elementary and secondary schools. However, this proposal was not enacted.]

The age of children and income level of their families are the primary determinants of the number of programs in which a family may be eligible to participate. The following tables outline the maximum possibilities for nutritional assistance under several income poverty standards existing in the current programs.

POSSIBILITIES FOR MULTIPLE PARTICIPATION IN EXISTING CHILD NUTRITION PROGRAMS

	FSP	WIC	CCFP	SBP	NSLP	SFS	SMP [1]
At or below 130 percent of poverty:							
Adult	X						
Pregnant or lactating mothers only		X					
Children 5 and under	X	X	X			X	X
Children 5 to 12	X		X	X	X	X	X
Children 12 to 18	X			X	X	X	X
Between 130 and 185 percent of poverty:							
Adult	(2)						
Pregnant or lactating mothers only		X					
Children 5 and under		X	X			X	X
Children 5 to 12			X	X	X	X	X
Children 12 to 18				X	X	X	X
Above 185 percent of poverty:							
Adult	(2)						
Pregnant or lactating mothers only							
Children 5 and under			X			X	X
Children 5 to 12			X	X	X	X	X
Children 12 to 18				X	X	X	X

[1] As noted previously, institutions may not participate in both the special milk program and other meal service programs. It is possible, however, that a child under age 12 could participate in special milk at school and then receive assistance from the child care food program after school when snacks are provided, or before school with a breakfast.

[2] Some elderly and disabled adults may have gross incomes above 130 percent of poverty and would be eligible because of the higher income ceilings which apply for households containing such individuals.

Note: FSP—Food stamp program. WIC—Special supplemental food program for women, infants, and children. CCFP—Child care food program. SBP—School breakfast program. NSLP—National school lunch program. SFS—Summer food service program. SMP—Special milk program.

As the above table demonstrates, some individuals, particularly children from households with gross incomes below 130 percent of poverty, may be eligible for as many as five separate programs. However, very little information is available from the Department of Agriculture to determine how extensive may be the actual practice of participating in several programs. With the exception of the food stamp/school lunch participation previously cited, no data has been collected to determine the degree to which eligible households actually participate in more than one program.

One specific "multiple participation" option has been included in the options section of this committee print—that of limiting children under age 5 to either the children care food program or the WIC program, but not both.

The issue of multiple participation is one which may attract increasing attention in view of concerns about overall Federal expenditures and about targeting program benefits.

Dual Sources of Funding

One concern that has been expressed in several recent reports is that of dual reimbursement. The potential for abuse due to dual funding sources is being examined as auditors within the Office of Inspector General of USDA assess the bookkeeping of various orga-

nizations participating within programs operated by the Food and Nutrition Service.

The Office of the Inspector General and the Food and Nutrition Service have investigated cases in which providers submitted claims for the same meals under two FNS programs. These are clearly unlawful, and prosecutions have been pursued.

However, another form of dual reimbursement which may be increasing occurs when a provider receives funding from FNS and another Federal or a non-Federal source for the same meal service. For example, the OIG recently concluded that summer food service providers may be receiving Federal funds from both the summer food service and from the upward bound programs. Upward bound is operated by the Department of Education. See OIG semiannual report for the 6 months ending March 31, 1982.

The same dual reimbursement question arose in the case of day care centers which receive funding under title XX of the Social Security Act as well as from the child care food program, resulting in multiple reimbursements from two agencies of the Federal Government.

According to the Inspector General, one recent audit "disclosed that Federal agencies do not have an effective method for ensuring that grantees did not budget the same costs to more than one Federal agency."

The Inspector General specifically cited one child care center in which over $200,000 in duplicated costs had been charged to more than one Federal program, noting that over $58,000 of those duplicated charges had been fully reimbursed by the agencies involved. See Joint Inspector General's report on Multi-Funded Agencies, January 19, 1982.

[NOTE.—This same question may be involved with private funding as well. For instance, most for-profit child care centers charge based on full child care service. However, if they are participating in the child care food program, they will receive Federal subsidies for the meals provided.]

The OIG has been working with the Food and Nutrition Service and other agencies to develop administrative remedies to ensure that the same program costs are not billed to and paid for more than once by different Federal agencies. It may be that a specific legislative initiative is necessary to prohibit such dual reimbursements at the taxpayer's expense.

NEW FEDERALISM

The Reagan administration was involved in discussions throughout 1982 with State and local officials about its initiative, broadly defined as "New Federalism." Under the proposal as first outlined by the President early last year, the Federal Government would turn back certain programs to the States as well as certain sources of funding. The Federal Government would also assume certain other programs, the operation and cost of which are currently shared between Federal and State governments.

The administration's talks with State and local officials have been a part of discussions to sort out and redefine the activities most appropriate and suitable for the Federal Government and

those most appropriate and suitable for State and local governments.

The administration included within its talking points last summer a proposal that all child nutrition programs with the exception of the special supplemental food program for women, infants, and children be part of the turnback to the States.

The concept of "New Federalism" with respect to the child nutrition programs is not discussed in this committee print inasmuch as such consideration would be influenced largely by its context in an overall "New Federalism" proposal.

○